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JERUSALEM

Holy shrine of intractable conflict

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World News

Six British soldiers die in IRA Ulster bombings

The Irish Republican Army, avenging the shooting of one of its top gunmen, killed six British soldiers and injured 27 other people in bomb attacks on two Northern Ireland security checkpoints.

A seventh body found at one of the blast scenes was believed to be that of a civilian forced to drive a bomb-laden car. The IRA claimed he was a "collaborator". Page 10

Elizabeth Dole quits

US Labour Secretary Elizabeth Dole, whose husband had challenged George Bush for the presidency, became the first person to resign from the Bush cabinet. She is to head the US Red Cross. Page 6

Thatcher complains

British prime minister Margaret Thatcher has written a strong letter of protest to European Commission president Jacques Delors complaining that key financial issues are being discussed in Brussels without proper preparation. Page 2

Bush plea to Shamir

President George Bush has sent a personal letter to Israeli Prime Minister Yizthak Shamir appealing to him to allow a United Nations team to investigate the killing of 20 Arabs. Arabs kept out, Page 22

Chemical spills

Two toxic chemicals spills were reported within five minutes in unrelated accidents near the Swiss border city of Basle. Nobody was hurt.

Philippines violence

At least four people, including a bus driver and conductor, were killed when extremists with bombs and guns backing a left-wing strike halted transport in the main Philippine cities. Deficit cut, Page 4

India faces election

India faces the prospect of an early general election. Parliament meets in special session on November 7 and a confidence vote is likely. Page 22

California quake

A strong earthquake rocked north-eastern California but there were no immediate reports of damage or injuries. The epicentre was in a sparsely populated area near the California-Nevada border.

Bishop rebuked

A US Roman Catholic bishop who met a group of married former priests is reported to have received a letter of rebuke from the Vatican.

Pakistan votes

Pakistanis went to the polls amid unprecedented security in general elections that are being widely regarded as a referendum on the August dismissal of Prime Minister Benazir Bhutto. Page 22

Burma clampdown

Burmese police arrested 12 senior members of the main opposition party, searched Buddhist monasteries and raided political party offices in a nationwide clampdown on dissent.

Canada's open door

Canada intends to open the door to more immigrants over the next five years despite concern it may not be able to handle the influx. A 50 per cent increase is being planned.

Beirut unity plan

Rival Shia militias handed over positions in Beirut's southern suburbs to the Lebanese army and Syrian troops ahead of a plan to reunite the capital. Syrian pullout, Page 4

Great Wall greater

Archaeologists have found a new section of China's Great Wall, extending its eastern terminus more than 600 miles to the border with North Korea.

Business Summary

Polly Peck gives up its fight against insolvency

Polly Peck International last night gave up its fightagainst insolvency after Mr Asil Nadir, its chairman, returnedfrom Turkey and northern Cyprus without bringing any of thef30m ($58.5m) in cash it needed to keep its creditors at bay.

The board said it had decided toapply this morning to the High Courtfor administrators to be appointed.

GOODYEAR Tire & Rubber, last surviving US-owned large tyres group, reported a $61.4m third quarter deficit, the biggest quarterly loss in the company's 92-year history. The troubled Akron, Ohio company, which recently surrendered its position of world market leadership to Michelin of France, also said it plans to lay off a total of 3,000 employees by mid-1992. Page 23

SOUTHLAND Corporation, parent company of the 7-Eleven convenience store chain, filed a bankruptcy petition under Chapter 11 of the US bankruptcy code. Page 23

URUGUAY round: US intends to table in trade talks an offer to cut its tariffs on imports by 43 per cent. Page 3

VOLKSWAGEN chief executive Carl Hahn, who was due to retire next year, looks likely to stay on to oversee the German car group's drive into eastern Europe and guide it into the post-1992 EC market. Page 23

EXXON, world's largest oil company, reported unchanged third quarter earnings. Page 26

US ORDERS for durable goods fell 1.7 per cent in September, after a revised drop of 0.8 per cent in August. Page 6

CONTINENTAL Airlines, US carrier, said that, having studied possible options after the fuel price rises, asset sales may be on the cards. Page 26

WORLD BANK has offered to create an international fund to promote industrial restructuring in Poland by speeding up the inflow of private sector foreign investment. Page 2

DEUTSCHE Aerospace, aerospace division of Daimler-Benz, looks set to lead a consortium including French, Italian and Spanish aerospace groups to build a new regional jet airliner. Page 22

AVON Products, world's biggest manufacturer of cosmetics and toiletries, reported strong third-quarter earnings on modestly higher sales. Page 26

EUROPEAN Community warned against suggestions that its proposal on farm reform, once tabled, would not provide a basis for further negotiations. Page 22

LIONHEART, housewares and retail display systems group, is proposing a capital reorganisation so that it will be able to pay dividends out of future earnings. Page 29

SEARS, Roebuck and Co, world's largest retailer, reported a 30 per cent fall in earnings in the third quarter. Page 26

JAPANESE trust bank, Mitsui Trust, saw two former executives arrested. Page 4

SKF, world's leading rolling bearings manufacturer, reported a fall of 24 per cent in third quarter profits to SKr435m ($75m). Page 24

KUMPULAN Guthrie, Malaysia's largest plantation group, proposes to diversify from rubber and palm oil into property development. Page 25

WORLD CEREAL production could fall by 5-10 per cent by about the year 2030 as a result of global warming, warns an agricultural expert. Page 31

PHILIPPINES is to cut the public sector deficit in 1991 by 55bn pesos ($2.1bn). Page 4

Moscow endorses emergency law to control republics

By Quentin Peel in Moscow

THE SOVIET central parliament rushed through emergency legislation yesterday which seeks to reassert the supremacy of all-union laws over republican laws.

The law, which merely restates the provisions of the discredited Soviet constitution, is the latest salvo in the battle for political and executive control of the Soviet Union.

It is aimed at the parliamentary measures passed in a majority of the country's 15 "sovereign republics", including the Russian federation, insisting on the primacy of republican laws.

The irony of the confrontation is that in the present legal and political vacuum neither side can properly enforce its laws and nobody knows what or whom to obey.

The Russian Federation immediately defied the Kremlin by asserting Soviet laws would take effect in its territory only after they are ratified by its parliament. The decision by the Russian parliament, reported by Tass news agency, came just hours after the vote by the Supreme Soviet.

Within the space of a few hours, the Soviet parliament rushed the law through a first reading, votes in the two separate chambers, a conciliation commission and a final vote on the second reading.

Parliamentary observers believed it to have been inspired by President Mikhail Gorbachev, showing his grave concern at the disintegration of executive authority.

The union law is to become effective as soon as it is published, in the next 48 hours, and to remain in force until the conclusion of a new Union Treaty, the constitutional document binding together the republics in the USSR.

It insists on the primacy of union laws in all areas "within the centre's sphere of responsibility", according to Tass, the official news agency.

"We are neither declaring war on the republics, nor bringing pressure to bear on them," said Mr Yuri Kalmykov, chairman of the parliamentary legislation committee. "The republics should understand that this legal act is in the interests of all."

It was intended, he said, to end the "war of laws" between the centre and the republics.

It seems highly unlikely, however, that the law will be enforceable without a full-scale reconciliation between President Gorbachev and the republican leaders, and in particular with Mr Boris Yeltsin, the Russian president.

The one clause in the law which caused controversy was a provision allowing President Gorbachev to sack the heads of state enterprises if they fail to fulfil federal contracts. Deputies insisted that this power should apply only to enterprises controlled by union ministries.

In a graphic illustration of just what the central powers are up against, the Estonian parliament yesterday declared null President Gorbachev's presidential decree ordering celebrations to mark November 7, the commemoration of the 1917 revolution.

The Estonian deputies decided that the presidential decree contradicted their own law on the status of the Estonian state.

Pravda braves the market

By Quentin Peel in Moscow

THE mighty Soviet newspaper Pravda, mouthpiece of the ruling Communist Party, oracle of the official party line, is – whisper it softly – about to go commercial.

Faced with the prospect of a disastrous slump in circulation and the same chronic shortages of newsprint and ink, pens and petrol, transport delays and disrupted distribution, as every other Soviet publication, the bible of the party faithful is suddenly itself having to fight for its place in the future Soviet marketplace.

So, throwing ideological purity to the winds, the newspaper is looking for joint ventures with capitalist partners, is planning an international edition involving major western newspapers, and is even proposing to market its own party television programmes.

The plight of Pravda, and its urgent efforts to find a competitive solution, were spelt out yesterday by Mr Ivan Frolov, the editor-in-chief, former philosopher, and one of President Mikhail Gorbachev's closest aides.

He is himself under pressure from his own workers to resign for presiding over the demise of the party flagship.

But yesterday he insisted that he could not quit, and he had the full support of his colleagues in the party politburo, and the Central Committee secretariat.

At the last count, subscriptions to the newspaper for the coming year were running at around 700,000, or barely 10 per cent of its current circulation of almost 6.9m, he confessed. The deadline for subscriptions for all the Soviet press has now been extended from November 1 to November 15, in the faint hope of encouraging readers to return.

"The attitude to Pravda is closely connected with the attitude to the party," Mr Frolov said. "When I came to the newspaper (last year) it had already lost 3m subscribers. I told my staff now we have a circulation of 700,000 and we don't know if the party has that many true communists. If they have, why don't they defend their own newspapers?"

However, behind the desertion of its traditional readers, the newspaper faces the secondary problem that its erstwhile patron and protector, the Communist Party, is simply no longer in a position to assure it the same exclusive treatment.

Continued on Page 22

Iraq admits using hostages in attempt to split Gulf alliance

By Lamis Andoni in Baghdad

BAGHDAD is using western hostages to drive a wedge through the US-led alliance ranged against Iraq, a senior Iraqi official conceded for the first time yesterday.

Mr Latif Nassif Jassim, Iraq's minister of culture and information, said by releasing nationals of certain countries Baghdad was hoping this would gradually erode US efforts to rally support for a military strike against Iraq in order to recover Kuwait.

"If this happens we will be happy," he said when questioned if Baghdad was aiming at undermining the international alliance against Iraq.

"Then the US will not be able to rally support for a military action (against Iraq)."

The minister's comments came as Mr Yevgeny Primakov, the special envoy of Soviet President Mikhail Gorbachev, arrived in Cairo on his second visit to the region this month.

The Soviet news agency Interfax, which said his visit would take in Baghdad, yesterday stressed the Soviet position as a potential intermediary between the US and its western allies, and the Arab world.

Over the past week, Iraq has released a growing number of western nationals including Britons, Portuguese, Spaniards and Swedes.

Their release followed visits by official delegations, peace activists from their respective countries or independents such as Mr Edward Heath, the former British prime minister.

But Iraq's most overtly political gesture was the decision on Tuesday to release all 327 French nationals in Iraq and Kuwait.

Of these 67 were reportedly being used as "human shields" at strategic installations.

Iraq officials have repeatedly maintained that western nationals were held to prevent an attack against Iraq.

Some officials in Baghdad admit that the US and Britain are unlikely to be swayed in their stance against Iraq by their nationals being held hostage. But they believe their tactic has succeeded in reducing Iraq's political isolation.

Those going to Baghdad to seek the release of hostages have provided the Iraqis with the opportunity to put forward their case.

It has also allowed the Iraqis to focus attention on their desire to see the international community accept a linkage between the Gulf crisis and the Israeli-Arab conflict.

These contacts and the resulting release of some nationals are viewed in Baghdad as a means of building up domestic pressures, especially in the US and Britain, against military action in the Gulf.

The Iraqis hope that by releasing French hostages in particular they will be able to encourage a split between the US and Europe.

Iraqi officials think that France could play a central and effective role in influencing the position of the rest of Europe away from the hawkish stand of London and Washington.

Neither the Iraqi govern-

Continued on Page 22

Hurd committed to withdrawal, Page 10

President George Bush at a fund-raising dinner attacks the Democrat-controlled Congress for the budget impasse

Democrats alter budget demands

By Peter Riddell, US Editor, in Washington

DEMOCRAT congressional leaders yesterday hinted at a possible compromise over taxes on the wealthy in an attempt to end the US budget crisis.

The government faced another deadline, the fourth this month, of running out of money by midnight last night.

Failure to break the stalemate could mean a partial shutdown of the government from today, with across-the-board cuts in services only 10 days before the mid-term elections.

The main blockage has been over the means of raising taxes on the wealthy so as to mitigate increases in the costs of Medicare health provision for the elderly and in gasoline tax.

House Democrat leaders said yesterday they would drop their demand that a surtax be imposed on those earning more than $1m a year, which is adamantly opposed by the White House. Instead, Democrats will be asked to approve an alternative which increases taxes on the wealthy by limiting tax deductions. But this still has to be approved by the Democratic caucus.

Democrats are, however, seeking modifications in the original Republican plan for an across-the-board limit on tax deductions for the better-off, since this would hit states with high local taxes, such as New York, California and Pennsylvania.

These states also have large numbers of House Democrats whose votes are crucial to the outcome. Instead, the plan will envisage a phasing out of deductions, graduated according to size of income.

Faced with opposition to any likely package from well over a half of his own 175 strong House Republicans, President George Bush needs the support of a clear majority of the 258 House Democrats. However, any package will need the support of half the Senate Republicans.

These political pressures have left Mr Bush on the defensive, looking indecisive and lacking a clear political message as he switches between attacking a "tax-and-spend" Congress and appealing for bipartisan support for a deficit reduction package.

He has already conceded an increase in the marginal income tax rate for the wealthiest from 28 to 31 per cent and dropped calls for a cut in capital gains tax.

Continued on Page 22

Dole resignation may speed cabinet shake-up, Page 6

Another bad day for the president

By Peter Riddell, US Editor, in Washington

IT WAS a bad day for President George Bush on the campaign trail, but then most are nowadays.

One Republican congressman criticised his policies to his face; another, whom he had gone to help, stayed back in Washington; others cancelled campaign advertisements featuring themselves and Mr Bush; and national Republican organisers advised candidates to distance themselves from the president.

A memorandum from Mr Ed Rollins, co-chairman of the National Republican Congressional Committee, advised contenders: "Do not hesitate to oppose either the president or proposals being advanced in congress" calling for tax increases.

The last three weeks have been humiliating for Mr Bush. Not only has he been in full retreat on tax policy but he has also been repudiated by a big majority of his own Republicans in the House and by nearly half in the Senate.

Moreover, as he goes out campaigning a couple of days a week, he is being rebuffed by Republican candidates for whom he is helping to raise large sums of money.

On Tuesday, in Vermont, Representative Peter Smith, who is more loyal than most to the president, noted "my specific disagreements with this administration are matter of record". Mr Bush winced, commenting: "Like all Vermonters, he is a man of independent mind. I just wish he'd stop reminding me that we do have a few differences out there."

All the Republican House candidates standing for the Senate or for governorships have attacked his budget stand – even though he has travelled to support most at fund-raisers.

One Californian Republican congressman has changed an endorsement commercial the president made for him at the White House and used parts of it in a version that stresses his opposition to some of Mr Bush's policies.

Senator Jesse Helms, the maverick conservative Republican, for whom Mr Bush spoke only two weeks ago, has blamed the decline in his own support in his re-election battle in North Carolina on the unpopularity of the president.

But then gratitude never counts for much in politics.

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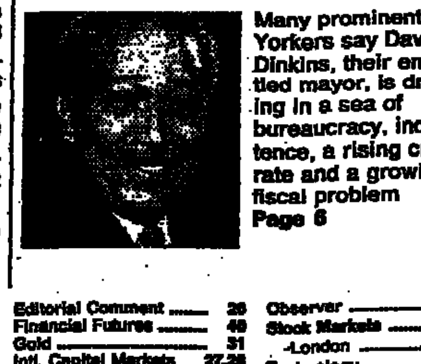
The Big Apple suffers its worst crisis since the 1970s



Many prominent New Yorkers say David Dinkins, their embattled mayor, is drowning in a sea of bureaucracy, incompetence, a rising crime rate and a growing fiscal problem

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MARKETS

STERLING
New York lunchtime:
$1.9575
London:
$1.9580 (1.946)
DM2.9500 (2.9525)
FFr9.8725 (9.885)
SFr2.4825 (2.495)
Y250.50 (248.0)
£ Index 94.6 (94.5)

GOLD
New York: Comex Dec
$376.00 (373.9)
London:
$371.75 (372.0)

N SEA OIL (Argus)
Brent 15-day Dec
$29.35 (28.55)

Chief price changes yesterday: Page 23

DOLLAR
New York lunchtime:
DM1.50635
FFr5.0410
SFr1.2690
Y127.10
London:
DM1.5070 (1.5175)
FFr5.0425 (5.080)
SFr1.2680 (1.2815)
Y128.00 (127.45)
$ index 60.5 (60.6)
Tokyo close: Y128.38

US lunchtime rates
Fed Funds 7⅞%
3-mo Treasury Bills:
yield: 7.42%
Long Bond:
99 13/32
yield: 8.79%

STOCK INDICES
FT-SE 100:
2,110.5 (−16.5)
FT Ordinary:
1,638.9 (−15.8)
FT-A All-Share:
1,019.54 (−0.6%)
New York lunchtime:
DJ Ind. Av.
2,507.43 (+13.37)
S&P Comp
312.86 (+0.50)
Tokyo: Nikkei
24,876.88 (−421.42)

LONDON MONEY
3-month interbank:
closing 13 27/32-13 13/32 %
(13 13/32)
Life long gilt future:
Dec 84 19/32 (84¼)

'Progress' made over EC imports of Japanese cars

By John Wyles in Rome

EUROPEAN Community countries have identified "a series of important principles" which could provide the basis for an agreement limiting Japanese car exports, Mr Renato Ruggiero, Italy's foreign trade minister, said yesterday.

The minister, who is also chairman of the EC's council of ministers dealing with trade matters, believes that "important progress" has been made inside the Community and in informal discussions with Japan in establishing principles that "are now the basis for a sufficient accord".

Mr Ruggiero's judgement runs counter to recent evidence of disarray between member states over the length and nature of the transition to abandonment of current import restrictions and voluntary quotas on imports of Japanese cars to five national markets.

In the Italian view, this resulted partly from a false impression given to more protectionist-minded governments, including Italy and France, that future market growth for passenger cars would be taken by Japan.

But the Italian minister made it clear that the final elements of any package between the Commission and member states had still to be tied up. His own efforts, he suggested, were directed at "changing the focus" of the discussions to include measures to help the European car industry to be more competitive. There was also the question of reciprocal concessions from Japan to facilitate the imports of European vehicles, he said.

The four principles underlying the Community position would be: careful monitoring of Japanese imports into hitherto protected markets; assurances from Japanese exporters that they would not "target" these markets; clear indications from Japanese producers about production plans from plants established inside the EC; and controls on parallel imports (movement of Japanese cars from open markets to restricted ones).

Mr Ruggiero said he was optimistic about the issue after a meeting of the Italy-Japan Business Group. This was set up over a year ago to promote commercial relations between the two countries.

Progress reviewed yesterday included a 42 per cent increase in bilateral trade following a 49 per cent rise in Italian exports to Japan. These have now overtaken the UK's as a proportion of total Japanese imports.


President Francesco Cossiga of Italy being welcomed to the British parliament yesterday on the second day of his visit

Cossiga urges Britain to embrace European ideal

By Robert Mauthner, Diplomatic Correspondent, in London

PRESIDENT Francesco Cossiga of Italy yesterday urged Britain fully to embrace the ideal of European unity as the only possible conclusion to the integration process which was already happening.

In an unusually frank address to members of both houses of Parliament in the Palace of Westminster, Mr Cossiga appealed to the British people to complement their traditional "down-to-earth pragmatism" and concern with national sovereignty with a wider view of UK interests.

President Cossiga, who is paying a three-day state visit to Britain, had earlier had talks with Mrs Margaret Thatcher, the British Prime Minister, dealing with the whole range of world problems, particularly the Gulf crisis and the future of Europe.

The President stressed that the late Sir Winston Churchill had been one of the first to share the insight that the Second World War had radically upset the balance of power in the world. "From this the idea developed of one single vocation for the whole continent of Europe which, by overcoming not so much the concept of nationhood and national sovereignty, but rather of its features of self-sufficiency and inward-lookingness, would be able to lead Europe on to new heights, and new supreme values," he said.

Far from being mortified by a united Europe, Mr Cossiga told peers and members of parliament, "your noble function as law-makers and the supreme guarantors of the public institutions and of public and private freedoms" could be enhanced in much wider institutional settings than those relating purely to specific territorial sovereignty.

No Europe could exist unless its architects included the land of Chaucer, Shakespeare, Swift and Dickens nor that of Magna Carta, the Bill of Rights and the Glorious Revolution, the Italian President said.

Referring to the Gulf crisis, President Cossiga said that it had threatened to dash the expectations of the poorer countries that the more prosperous nations might allocate the "peace dividend" from east-west detente to development programmes, to relieving their foreign debt and to reviving co-operation between North and South. However, a solution of the crisis in a spirit of reconciliation and moderation could herald the beginnings of a new world order, he said.

Mr Cossiga also held discussions with Mr Neil Kinnock, the Labour opposition leader.

Brussels agrees plan to tighten negligence laws

By Lucy Kellaway in Brussels

A PROPOSAL making it easier for consumers to claim damages against negligent suppliers of services was agreed yesterday by the European Commission.

The proposal – which covers all services from dry cleaning to medicine – reverses the burden of proof. The supplier would have to prove that it had not been negligent, rather than the consumer having to establish that negligence had taken place, as at present.

The directive, which protects consumers from direct damage to their health or belongings caused by negligent suppliers, is particularly controversial in the field of medicine. It is feared that the proposal could nudge the EC towards the US system in which doctors are hesitant to perform risky operations for fear that they may go wrong, resulting in a law suit.

Commission officials said yesterday that doctors and providers of other services would be protected by a clause that excuses them from negligence if "reasonable care" had been taken in the provision of the service. This means that negligence would be measured according to the means taken and not according to the results.

The directive is being put forward as a single market measure, because it is argued that the widely different types of protection offered in different member states act as a barrier to trade in services. It will therefore need only a qualified majority of member states to support it.

The British government questions the need for such a directive as most of the services are not offered across frontiers and it therefore sees no need for harmonisation.

The commission also sought to quell fears yesterday that the directive would mean excessive increases in professional insurance premiums. Any rise would be small, it said.

Thatcher in protest to Delors

By Tim Dickson in Luxembourg

MRS Margaret Thatcher, the British Prime Minister, has written a strong letter of protest to European Commission President, Mr Jacques Delors, complaining that key financial issues are being discussed in Brussels without proper preparation.

Contents of the letter emerged in Strasbourg yesterday after Mr Delors had appeared to strike a more conciliatory tone towards the UK on the highly sensitive question of when to proceed towards a new phase of economic and monetary union.

A spokesman for Mr Delors refused to clarify exactly what Mrs Thatcher was referring to in her recent missive, except to observe that the question of EC aid for the Soviet Union "and two other issues" were involved.

It is understood that one of these was assistance to the so-called "front line" Gulf states affected by international sanctions against Iraq.

Britain is known to have been deeply uneasy about the way the Ecu 1.5bn (£1.04bn) package, including balance of payments support, was negotiated by the EC.

On Emu, meanwhile, Mr Delors seemed to be trying to play down expectations that a date for the beginning of the so-called stage two of the process – involving the setting-up of an independent European Central Bank and greater economic convergence – would be agreed at this weekend's special summit of EC heads of government.

Mrs Thatcher remains resolutely opposed to discussing the timing of stage two.

But Mr Helmut Kohl, the German chancellor, said last week that he would be prepared to sign up to a Dutch compromise of January 1, 1994.

Contrary to hints from Mr Gianni De Michelis, the Italian foreign minister, that the opportunity may be taken to force the pace on Emu this weekend, Mr Delors clearly indicated his preference for tackling this question at the traditional "end of Presidency" summit in December.

"There is less of a risk of anything dramatic happening if we speak for a couple of hours about political union than about EMU," he said adding that the debate on political union was "less advanced".

Mr Delors, however, was unclear as to how the problem of a date for stage two would be resolved when it inevitably surfaces in December.

He said that he did not think it should be decided on the basis of a unanimous vote.

■ The Commission President yesterday argued in favour of keeping the headquarters of the European Parliament in Strasbourg – at least for the moment.

In response to a question about the sensitive issue of the sites of EC institutions – another subject which could enliven the summit – Mr Delors agreed that MEPs themselves "should have their say".

But at the same time he implied that there were more important things, like the Gulf crisis and the situation in the Soviet Union, which EC leaders should be discussing this weekend.

Tirana under fire at Balkan talks

By Laura Silber in Tirana

GREECE sharply criticised Albania's human rights record during the opening session of a summit of Balkan foreign ministers which started yesterday in Tirana.

The summit is aimed at increasing economic co-operation and working out ways to keep pace with European integration. But the political and social diversity, as well as the simmering ethnic disputes between the six countries, are unlikely to bring co-operation beyond the level of rhetoric.

Mr Andonis Samaras, the Greek foreign minister, said that any co-operation between the Balkan countries could only be successful if human rights were fully observed.

"Can we call a country free if any man or woman in this country is not allowed to exercise fully their religious rights? And does it not equally apply for political and economic rights?" said Mr Samaras.

His remarks, which were made to foreign ministers from Turkey, Yugoslavia, Romania, Bulgaria and Albania, amount to a thinly disguised attack on the Albanian communist leadership and are likely to increase tension at what is seen as a crucial meeting for regional stability.

The tensions are partly political. Only Greece is a member of the European Community and only Turkey and Greece are members of Nato. Bulgaria and Romania belong to the disintegrating Warsaw Pact, while Albania is staunchly independent. Yugoslavia, gripped by ethnic unrest, remains in the Non-Aligned Movement which is searching for a new role in the light of improving east-west relations.

In addition to all these differences, the countries share two potentially destructive forces: growing economic difficulties and disputes over ethnic minorities. The end of the communist system has now brought these two problems out into the open.

The size of the unrecognised Greek minority in Albania is disputed by the authorities in Tirana. They claim that the minority is no more than 50,000. The Greek authorities say the figure is more than 300,000.

In a separate dispute, Albania has repeatedly criticised Yugoslavia for its treatment of the 1.8m ethnic Albanian minority in the southern province of Kosovo.

Relations between Bulgaria, Greece and Yugoslavia are even more complicated.

Neither Bulgaria nor Greece recognises the existence of a Macedonian nation. In Yugoslavia, it has the status of a separate republic.

Relations between Bulgaria and Turkey, though improving, have been marred in the past by attempts by the former Bulgarian communist regime to assimilate the 1m-strong ethnic Turkish minority forcibly.

Mapmakers find plans dashed

THE VANISHING border between the Germanys has brought nothing but trouble for mapmakers, Reuter reports from Berne.

A year ago the border was marked by a firm green stripe with dots and dashes. By the middle of this year it was just dots and dashes. From October 14 the stripe returned – but thinner and much less noticeable.

"The situation changed so fast that we couldn't keep up any more," said Mr Helmut Laube, cartographer at the Swiss head office of one of Europe's largest map publishers, Kuemmerly und Frey.

One road atlas produced to cater for the flood of travellers between the Germanys shortly after the border opened last November was revised three times when it was on the verge of publication.

"We suddenly heard there were 20 new frontier crossings. Then there were 40. When we'd put them all in we got the news the whole border was open and we had to scrape all the crossings out again," Mr Laube said.

So he put Germany back on the drawing board, overlaid it with tracing paper showing the latest amendments and set to work with coloured pens and a scalpel. He had already reconnected long-disused roads, rebuilt bridges and summoned into existence 3,000 villages which, until then, had been left off the map.

"Suddenly West Germans all wanted to visit the little villages their families originated from," he said.

The company puts the cost of German unity – scale 1:500,000 – at around 600 cartographer hours. This increases to thousands of hours if one counts the 50 or so maps of adjoining regions, and European and world maps that will also need to be changed.

Until East Germany opened up, information was hard to obtain and official maps contained deliberate inaccuracies designed to confuse potential enemies.

Mr Laube's problems did not stop there. Even before united Germany had officially been named, he extended the lettering "Federal Republic of Germany" into what had formerly been East Germany. It was no easy job because he had to move aside up to three villages to make way for each capital letter.

Demand for information brings acute pressure to publish new maps. Kuemmerly used to update its map of East Germany only every other year, with a print-run of 10,000. This year it has been updated twice and sold 300,000 copies.

Attali foresees two years of loss for EBRD

By Rachel Johnson, Economics Staff

THE EUROPEAN Bank for Reconstruction and Development will open for business next spring but is likely to operate at a loss for its first two years, Mr Jacques Attali, the bank's designated president, said yesterday.

The EBRD, to be headquartered in London, has just held a second meeting at which its 41 prospective members discussed a business plan and draft operating regulations. The bank's aim is to promote private sector development in countries committed to democratic politics and market economics.

For this reason, it is thought likely that the status of the Soviet Union within the bank might eventually improve. When the bank's treaty was drafted, the Soviet parliament had not adopted the economic reform programme to transform the country into a market economy. It is therefore only eligible for loans up to the level of the capital which it pays in over the same period.

Mr Attali said, however, that changes to the Soviet status would not be contemplated for three years.

The bank, which has a capitalisation of Ecu10bn (£7bn), will not come into existence until its articles of agreement have been ratified by members accounting for two-thirds of total voting power, including two borrowing members.

Mr Attali was confident that ratification would be achieved by the March 1991 target. He announced that the Mr John Kenneth Arrow, a US financial economist, had started to work for the EBRD.

The bank's president intends it eventually to be profit-making. He said the EBRD was "not a charity institution" and declined to put figures on its borrowing requirements during the first two years when investment in branch offices in east Europe and start-up costs would be high.

He would not give details of particular planned investments or loans the bank would make, but said some of them were joint ventures which would be financed with a variety of new financial instruments. The bank would be "lean and flexible", he said, as it would be pointless to burden newly-democratising countries with additional bureaucracies.

Athens mayor puts forward grand plan

By Kerin Hope in Athens

THE HARDEST task facing Mr Antonis Tritsis as the new mayor of Athens is to convince the government to implement a few of his radical ideas.

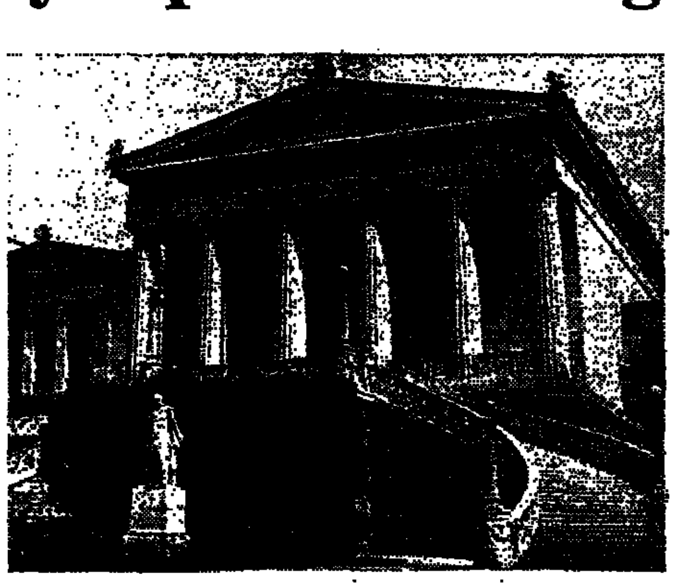
As a former socialist elected under the ruling conservatives' banner, Mr Tritsis can expect to meet political resistance when he takes over at city hall on January 1. But the real obstacles to his ambitious plans for reviving the city will arise from the limitations imposed on the mayor's authority.

"Whatever his politics, the mayor's life is one long struggle with different government ministries, trying to get his proposals approved," says Mr Angelos Moschonas, one of several deputy mayors of Athens.

"A couple of years ago we proposed setting up an inner city bus service to cut the number of buses coming into the centre. The scheme would significantly reduce traffic jams and exhaust fume pollution. The transport ministry still hasn't agreed."

Permission from the agriculture ministry is required for large-scale planting of trees on the rocky hillsides around Athens. Such projects are part of city hall efforts to increase the amount of green space above the current 2.8 per cent, the lowest of any European capital.

If one of the city's dozens of ancient monuments lies close to a new pedestrian zone or a planned car park, the culture ministry steps in. Refuse collection is the mayor's responsibility, but when it comes to choosing the site for a new city dump, the health ministry wants a say.


The National Library on Panepistimiou Street would be protected by a pedestrian precinct under the Tritsis plan.

Mr Tritsis, a respected architect and city planner, has already acquired a reputation for creating controversy. He was fired as environment minister in Mr Andreas Papandreou's socialist government in 1984 after refusing to compromise with the influential land developers' lobby. Four years later he lost his post as education minister for insisting that nine-year-olds should start discovering their heritage by learning ancient Greek.

As mayor, Mr Tritsis will be in charge of seven city districts where 1.5m people live, about a third of the greater Athens population. But another 2m descend on the city centre on weekdays. "Wasted time in traffic jams is one of the main reasons for the present economic crisis," he says.

He wants to transform the city centre by banning traffic from four main avenues, including Panepistimiou Street, a broad avenue flanked by handsome 19th-century buildings, and installing a light tram system. The Acropolis and other monuments would be enclosed in a huge archaeological park.

Mr Tritsis' grand plan for central Athens goes far beyond the dreams of earlier mayors. The city budget has grown from Dr10bn (£33.5m) to Dr42bn in the past four years, but many recent improvements went unnoticed because they were made at neighbourhood level. New child-care centres and basketball courts make life more pleasant for people living in former industrial areas seldom visited by tourists.

Mr Tritsis, who oversaw a much-praised restoration of the Plaka, the old city beneath the Acropolis hill, while environment minister, promises not to forget the neighbourhoods. In fact, he recently moved back to his old family home in Praxitelous Street, part of a seedy commercial district that he wants to renovate.

But the Athenians are not content with small-scale measures. A poll last month showed that 53 per cent of them would live somewhere else if they could.

Mr Tritsis' opponents may dismiss his plans as utopian, but to his supporters they represent the kind of radical changes needed to make up for the humiliating loss of the 1996 Olympics and give Athens a real chance of staging the games early next century.

Yugoslavia's economy in steep decline

YUGOSLAVIA, battered by ethnic unrest and political divisions, has slid further into economic crisis, according to official figures released yesterday, Reuter reports from Belgrade.

A Federal Statistics Office report covering the first nine months of this year said retail prices had almost doubled since the start of the year and industrial production had fallen 10.4 per cent compared with a year ago.

Living standards were 18.1 per cent lower than a year ago, retail sales were down 23.8 per cent, the trade deficit stood at \$2.2bn (£1.1bn) and bankruptcy procedures had been started against 771 companies employing more than 450,000 people.

In a further blow to the economy, communist-ruled Serbia, the biggest republic, heightened a dispute with non-communist Slovenia and Croatia on Tuesday by slapping new taxes on imports from the two northern republics to protect its own economy.

The economic data, coupled with ethnic unrest and political rows among its six republics, could also damage Yugoslavia's hopes of receiving foreign financial aid as it moves towards democracy after 45 years of communist rule.

World Bank offers to create fund for Poland

By Peter Montagnon and Christopher Bobinski in Warsaw

THE World Bank has offered to create an international fund to promote industrial restructuring in Poland by speeding up the inflow of private sector foreign investment.

The fund, which could amount to well over \$1bn (£500m), would be provided not only by the bank itself but also by other official institutions, such as the European Investment Bank, the new European Bank for Reconstruction and Development, and possibly the European Community, said Mr Moeen Qureshi, World Bank senior vice-president for operations.

Poland needed "massive new investment in infrastructure, including industrial restructuring, energy, the environment and housing", he said.

Most of the money would have to come from the private sector, but the new fund, which would be modelled on the bank's existing fund for energy development in Pakistan, would provide the necessary seed capital.

It would help finance Polish enterprises seeking to establish joint ventures with foreign companies in priority sectors. Later, the principle could also be extended to other east European countries, including Czechoslovakia, Hungary, and possibly Yugoslavia, he said.

Mr Qureshi declined to name a target amount for the fund, but he said that the seed capital required to promote restructuring of the energy sector alone amounted to between \$500m and \$1bn.

His remarks come against a backdrop of disappointment with the inflow of foreign investment generated by the radical reform of the Polish economy this year.

Though Poland is expected to generate a record hard-currency trade surplus of more than \$3bn this year, it faces acute difficulty in 1991 as a result of higher oil prices, the shift to hard currency settlement of trade with the rest of eastern Europe and the loss of previously secure markets in the former East Germany.

Altogether, this will cost Poland some \$5bn-\$6bn next year, necessitating continued austerity, which threatens to produce a further decline.

Mr Qureshi said Poland needed further debt relief from official creditors, who are owed three-quarters of its \$42bn foreign debt. "Poland cannot meet its obligations on the old basis without some additional relief and assistance." As part of its initiative, the World Bank could underwrite arrangements to protect the rights of foreign investors, for example, to remit profits, and purchase and sell assets in Poland.

EC 'morally obliged' to give aid to Soviets

LUXEMBOURG'S Prime Minister, Mr Jacques Santer, said yesterday the European Community was morally obliged to put together an aid package by the end of the year to help the Soviet Union, Reuter reports from Moscow.

Mr Santer, ending a three-day visit, said that since the EC had benefited from Soviet foreign policy, particularly German unification, it should now repay its debt. "I think it's a moral obligation we have to take on . . .

Mazowiecki and Kohl for talks

Chancellor Helmut Kohl and Prime Minister Tadeusz Mazowiecki of Poland will meet in former east Germany next month to discuss a treaty fixing their sensitive border, Reuter reports from Bonn. After the November 8 meeting in Frankfurt on the Oder they will cross into the Polish town of Slubice.

Presidents George Bush and Mikhail Gorbachev will visit Germany the same month.

Foreign investment pours into Spain

Foreign investment in Spain surged by 51.4 per cent in the first nine months of this year to Pta 1.306 trillion (£7bn) from Pta 862.7bn in the same period a year earlier, according to economy ministry figures, AP-DJ reports from Madrid.

In September foreign investment totalled Pta 130.4bn, up 123.2 per cent from the same month last year.

The purchase of newly-issued securities took the largest share (Pta 466.2bn) in the first nine months, an increase of almost 70 per cent on last year. But the biggest increase was in long-term foreign loans which shot up 276.58 per cent to Pta 327.2bn in the period.

Hungary explains summit delay

Warsaw Pact countries postponed a summit on the organisation's future so it could be held after an east-west conference in Paris on November 19 to sign a treaty slashing conventional forces in Europe, Hungary said yesterday, Reuter reports from Budapest.

A foreign ministry spokesman confirmed that the summit due in Budapest on November 3 and 4 was put off at Moscow's request. The meeting was intended to plan the pact's transformation into a political forum.

Politburo immune from Polish probe

Poland's chief prosecutor said yesterday that President Wojciech Jaruzelski and members of the former communist politburo were immune from investigation in the suspected cover-up of an international crime ring, Reuter reports from Warsaw.

The Solidarity-led government said two weeks ago that communist party leaders headed by Gen Jaruzelski covered up a crime ring led by Polish agents that carried out robberies, assaults and fraud in western countries in the 1960s and 1970s.

Prosecutor-General Aleksander Herzog told a news conference "obvious offences" had been committed in not bringing the case to light in 1984. But this type of cover-up, which carried a maximum five-year jail term, could not be prosecuted in Poland after a lapse of more than five years.

French investigate plutonium claim

French authorities are investigating a report that plutonium is leaking from cracked concrete containers at waste dump near the Saclay atomic energy research centre 45 miles south of Paris, Reuter reports.

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WORLD TRADE NEWS

US offers to cut tariffs by 43%

By William Dullforce in Geneva

THE US intends today to table in the Uruguay Round trade talks an offer to cut its tariffs on imports by 43 per cent across the board, US officials said yesterday.

A reduction of 43 per cent would more than meet the target of an overall 33 per cent cut in tariffs set by world trade ministers. The US offer is conditional on reciprocal reductions being made by other countries.

The comprehensive offer would include reductions in customs duties on textiles and clothing, officials said.

Washington's failure to include textiles in earlier proposals for tariff cuts has been severely criticised by its trading partners, particularly by developing countries.

The proposal on textiles is likely to be conditional on a satisfactory outcome in separate talks on the dismantling of the Multi-Fibre Arrangement, the bilaterally negotiated quota mechanism that has governed trade in textiles and clothing for the past three decades.

In an effort to speed up negotiations in the so-called market access areas, the US last month announced that it wanted a deadline of November 15 for concluding agreements on tariff cuts and the lowering of other import barriers.

However, the negotiations have been marking time largely because the US itself failed to meet an October 15 deadline for the submission by national delegations of definitive offers of tariff cuts.

The tabling of the offer today should stimulate delegations to start the intensive bargaining over reciprocal reductions which is needed to meet the November 15 deadline.

Washington's proposal will include so-called zero-to-zero offers on a wide range of products on which the US is willing to eliminate customs duties completely, provided its trading partners follow suit.

Representatives of the private sector "zero tariff coalition" representing more than 125 US manufacturers voiced their support here yesterday for this mutual elimination of tariffs.

Industries represented included producers of paper and wood products, aluminium, construction equipment, diesel engines, beer, diesel and gas turbine engines and semi-conductors.

Urging other countries to accept the US zero-for-zero offers, Mr Stephen Lovett, executive director of the National Forest Products Association, claimed that the US industries concerned could "tip the scales" in the US Congress, when legislators had to decide whether or not to accept the overall results of the Uruguay Round.

Local brewery aids Tonga economy

By Dal Hayward in Wellington

PRIPPS, the Swedish state brewery, has established a joint venture setting up a brewery in the tiny Pacific island kingdom of Tonga.

Small by international standards, the brewery has boosted the state's economy by almost eliminating beer imports, saving valuable foreign exchange, cutting the cost of imports, and creating jobs. It has also helped solve a major environmental problem: the disposal of aluminium cans.

Previously, Tonga's total export earnings from bananas, which made up 15 per cent of all export receipts, was spent on buying imported beer.

The brewery now has 71 per cent of Tonga's beer sales, which were formerly dominated by Budweiser of the US and the Fosters of Australia.

The King of Tonga ordered the project should create as many jobs as possible; therefore, hand labour is used in preference to high technology and computers, which have difficulty functioning in the local heat and humidity.

The use of returnable bottles has reduced the severe environmental problems associated with aluminium cans.

Pripps has now set up another joint brewery project in Vanuatu, and is holding discussions on similar projects in other Pacific states.

In search of the billions lost in a statistical black hole

Peter Marsh on the trail of the 'balancing item' that is almost as big as the UK current account deficit

HERE is a problem that is taxing the Sexton Blakes of the world of economic statistics: how do you account for the £15bn a year in Britain's overseas transactions which does not show up in the government's accounts?

The missing billions are thought to reflect either underestimates of capital flowing into Britain or unrecorded overseas sales by UK companies. Either way, economists are concerned that by not having the relevant information the UK government is losing track over a vital area of data related to trade policy.

Mr John Major, the UK Chancellor, shares the worries and has ordered a review of government statistics by next summer which should shed light on some aspects of the conundrum.

The UK's statistical hole constitutes a large chunk of the £50bn which, according to International Monetary Fund estimates, cannot be accounted for out of total global exports of £2,500bn a year.

In Britain's case, the concern is heightened both because of the size of the statistical discrepancy and because of its relevance to Britain's large current account deficit, which at £19bn last year is the biggest in Europe. The deficit is likely to be £14bn this year, according to IMF projections.

UK CURRENT ACCOUNT

	'79*	'80*	'81*	'82	'83	'84	'85	'86	'87	'88	'89
Current a/c balance	-0.45	2.84	6.75	4.65	3.79	1.83	2.75	0.00	-4.18	-15.15	-19.12
Net fin transactions	-0.74	-3.84	-7.43	-2.59	-4.55	-7.92	-7.24	-8.51	0.47	7.01	4.00
Balancing item	1.00	0.91	0.53	-2.06	0.76	6.09	4.49	8.54	3.71	8.13	15.12

*Figures include allowance for allocation in the national accounts of special drawing rights

Source: Central Statistical Office

Basic economic theory dictates that the difference between exports and imports for a specific country should be matched by currency flows of the same amount, much of it representing borrowing. The £50bn global number represents the total value of exports where the transfer of goods in one direction cannot be matched by recorded monetary flows the other way.

Virtually all countries have statistical discrepancies in their trade figures. But Britain's is particularly large and has grown considerably over the past few years.

For 1989, when the UK current account deficit was £19bn, officials at the government's Central Statistical Office (CSO) have identified net transfers into Britain of only about £4bn. That leads to the discrepancy of £15bn – which economists call the balancing item.

The CSO collects its data from a number of sources, such as customs records, surveys of industrial and consumer spending and stock exchange accounts. The appearance of such a large balancing item is thought to be due to a number of factors:

- It may be due to sales overseas of services – part of Britain's invisible exports – which the government does not know about. Unrecorded sales of this kind could mean Britain's current-account deficit is smaller than thought.
- Short-term capital inflows via the foreign exchange and bond markets – overseas traders buying pounds for speculative reasons – might be significantly larger than the government has a record of. That could represent a problem to the UK as some of the inflows could be pulled out at short notice, destabilising the economy.
- British residents could be importing to Britain large amounts of capital, arising from interest or rents on foreign assets, which they are failing to declare to the Inland Revenue.
- The government might be failing to count some exports of manufactured items. Although figures for such visible trade are more reliable than those for invisibles, mistakes can happen. An oversight by customs officers led to Britain's national accounts between 1987 and this year failing to record aircraft imports worth about £1.5bn.
- The transfer of capital into Britain could be linked to criminal activities, such as the narcotics trade.
- Borrowing by UK institutions and individuals from overseas groups might be much greater than has been thought.

The CSO points out, in defence of the large discrepancy, that it is the residual number after adding and subtracting very large numbers in the annual accounts. Britain's exports and imports amount to £200bn a year and the amount of capital swopped with overseas partners by UK-based foreign-exchange dealers every year runs to trillions of dollars.

In efforts to shed light on the hole in the accounts, the CSO recently found it had underestimated the value of UK equities which overseas residents and institutions bought during the 1980s. That accounted for capital inflows of about £1.5bn a year which no one knew about.

As a result of this and other revisions, the CSO reduced its estimate of the balancing item for 1988, from £12bn to £8bn. But even allowing for similar exercises, the discrepancy in the accounts for 1989 is unlikely to be revised to less than £10bn.

Mr Simon Briscoe, an economist at Midland Montagu, a London investment bank, says a large amount of the black hole is probably due to unrecorded earnings in financial services, in particular from the City. To discover more about this, the CSO has started a survey into details of overseas earnings from 25,000 UK services companies.

Mr Peter Spencer, chief UK economist at Shearson Lehman Brothers, a stockbroker, says that the lack of information about inflows and invisible earnings means the government is less able to formulate policy. "No one has a clear handle on what is going on."

Another complaint is that the balancing items undermine general confidence in the accuracy of the UK's financial statistics. Some would like to see the UK do more to track transfers of capital, such as occur when foreigners buy British equities or bonds. Others, however, say such ideas would be too bureaucratic and would be against the spirit of financial deregulation likely to be part of post-1992 Europe.

Mr John Lipsky, head of international research at Salomon Brothers, a New York bank, says that in the 1990s European governments will find it hard to gain reliable data about capital movements and other economic indicators and will just have to live with more statistical black holes.

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Delors sees end to subsidy impasse

By Tim Dickson in Strasbourg

MR JACQUES Delors, the European Commission president, hinted yesterday that the present impasse over EC farm reform could be broken tomorrow.

Speaking to journalists in Strasbourg, Mr Delors said he thought Brussels was ready to provide Germany with guarantees that plans to cut EC farm subsidies would be softened with compensation payments and "accompanying" measures.

Bonn has emerged over the past 10 days as the most formidable opponent of the Commission's proposed offer to its international trading partners to reduce farm supports by 30 per cent.

In three meetings of the EC Farm Council and two meetings of EC trade and foreign ministers German representatives have been the most outspoken critics of the Commission's ideas.

EC farm and trade ministers meet jointly in Luxembourg tomorrow in a last-ditch effort to avoid the issue going on the agenda of EC heads of government at their summit in Rome this weekend.

Mr Delors said yesterday that such a development would be "disastrous".

It was far from clear last night, however, that Mr Delors' optimism was well founded. German officials said they had not yet seen details of the Commission's "assurances" and admitted that Brussels has to tread a very thin line.

Bonn is preoccupied about two main issues. One is that the EC provide farmers affected by the proposed cuts in price support with adequate compensation. The other is that, as currently drafted, the Brussels package will ultimately weaken defences in the Common Agricultural Policy designed to restrict cheap imports.

It is understood that the Germans may not be seeking specific changes to the Brussels proposal but a "parallel" text to consist of the necessary guarantees on both points.

The Commission, however, which itself is deeply divided on farm reform, will have to strike a balance between satisfying German demands and not alienating others.

The US would be likely to seize upon any compensation that appears to distort the market as a justification to continue its own direct income supports. Britain, Denmark and The Netherlands would be sensitive to any measures that undermine general European farm competitiveness.

Battle over patents hits Brazil

By Victoria Griffith in São Paulo

THE promise by Brazil's Collor administration last June to introduce patent protection on pharmaceuticals and chemicals has let loose a lobbying battle between multinational and national companies,

Business and government agree the issue depends more on Congressional approval early next year than on the Gatt trade liberalisation talks, set to be finalised in December.

Mr Luiz Velloso Lucas, secretary of industry and commerce, is determined Brazil adopt the new legislation even outside the Gatt context. "We have no intention of using the issue as a bargaining chip," he explained.

"Whether we reach an international agreement or not, the Collor administration is committed to establishing intellectual property rights in Brazil. The lack of patent protection amounts to a subsidy to the local industry we can no longer afford."

The Collor administration would like access to worldwide research and development expenditures. The US pharmaceuticals and chemicals industry alone spent $8bn (£4bn) on R&D last year. Over the same period, spending in Brazil was low, Interfarma, the multinationals' lobbying group based in Rio de Janeiro, says.

The government has promised to submit a law on patent protection to Congress by March 20. But Mr Norwert Gmuer, president of Ciba-Geigy in Brazil, believes that even if protection is guaranteed, the R&D spending rise will not be significant. New-technology benefits were more important. "Brazil is the best place to conduct research on tropical diseases, plants and animals. Patent protection here means advances in those areas."

Multinationals were still worried about two issues: when the law will go into effect, and the length of patent protection. Abifina, an association of 60 Brazilian pharmaceuticals and chemicals companies, is seeking a delay in intellectual property recognition of 10 years for processes and 15 years for products. The multinationals want immediate patent rights, for 15-20 years.

"We think it's still too early for Brazil to be looking at patent protection," an Abifina official said. "Patent protection will mean the end of the Brazilian presence in this industry." But the national companies may find they have little weight to throw around. They contribute only 20 per cent to pharmaceuticals and chemical production in Brazil.

Bankers held as Japanese stock scandal spreads

By Stefan Wagstyl in Tokyo

TWO FORMER executives of Mitsui Trust and Banking, a leading Japanese trust bank, were arrested yesterday in the latest incident in a widening scandal over the support given by top financial institutions to Mr Mitsuhiro Kotani, a stock market raider.

The two men, who worked at the same branch, were arrested with two of their clients on charges of tax evasion. According to the Tokyo District Prosecutor's Office, the four allegedly failed to report profits on stock market investments made with the help of inside information supplied by Mr Kotani.

Mr Kotani, head of an investment syndicate named Koshin, passed on tips in return for the two manager's support for loans from the bank, which totalled Y45bn (£183m) to Y50bn (£203m).

The arrests follow the detention earlier this month of a former manager at Sumitomo Bank, on charges of extending illegal loans to Mr Kotani. The moves all stem from a investigation into Mr Kotani's affairs following his arrest earlier this year on stock manipulation charges.

The affair has prompted widespread public criticism of banks for funding speculation in stocks and land in the late 1980s when prices were soaring. The Finance Ministry and the Bank of Japan plan to increase checks on banks. The ministry yesterday summoned senior Mitsui Trust officials to explain the bank's role in the Kotani affair.

Mitsui Trust said in a statement that the case concerned the personal affairs of the two managers. Mr Tsunetaka Seto, the deputy manager at the bank's branch in Shibuya, central Tokyo, had been dismissed in 1988 and Mr Haruki Matsuo, the branch auditor, in February this year.

However, the bank also yesterday imposed pay cuts of 10 to 20 per cent for three months on 12 directors. Mitsui Trust denied that this implied any admission of guilt by these executives. Western and Japanese concepts of responsibility were different, it said. The bank regretted that it had caused "a disturbance in society".

According to the prosecutor's office, Mr Seto failed to report profits totalling Y1.1bn and Mr Matsuo profits of Y533m. The two others arrested were Mr Nobuyuki Ito, president of Urban Renaissance, a property company, and Mr Taisuke Kobayashi, a former director of the company.

The prosecutor's investigation has confirmed that Mitsui Trust and Sumitomo Bank were Mr Kotani's two largest backers, at one stage accounting for most of Y100bn that he borrowed from banks to fund stock market operations.

Mr Kotani developed links with high officials at both banks, including Mr Teizaburo Nishi, the deputy president of Sumitomo, who resigned last week along with two senior colleagues, including the bank chairman. At Mitsui Trust, links with Mr Kotani were supervised by Mr Takeshi Nakajima, the former chairman, who died earlier this year.

Mr Kotani's peak need for funds was in 1987-88 when he mounted a raid on Kokusai Kogyo, an aerial survey company, where he won control in a controversial hostile takeover. Subsequently, Mr Kotani's attempts to pay off loans taken out to fund the Kokusai Kogyo acquisition led to his alleged attempt last April to manipulate the shares of Fujita Tourist Enterprises, a leisure company, in order to sell a large block of stock at inflated prices. The bid resulted in Mr Kotani's arrest.

Philippines seeks to cut deficit

By Greg Hutchinson in Manila

THE PHILIPPINES government is to cut the public sector deficit in 1991 by 55bn pesos ($2.14bn) through a combination of increases in revenue and cuts in expenditure.

An agreement between cabinet and congress projects a boost in revenues of 30bn pesos. Expenditure cuts would total 25bn pesos, including 5bn pesos which would stem from lower government domestic borrowings as a consequence of the measures.

Increased revenues would be achieved through better tax collection, the imposition of an import levy, and an accelerated privatisation drive.

Mr Jesus Estanislao, the finance secretary, said next year's budget deficit should fall as a percentage of gross domestic product to 3.4 per cent from 5.4 per cent currently.

He placed emphasis on speedy disposals of Philippine Airlines, Republic Planters Bank, and hotels. He added that sequestered assets of the Marcos era would be put on the market.

The ownership of many of these, ranging from golf courses to factories, remains in dispute.

The company is again to attempt the sale of the Nonoc Mining and Industrial Corp, the country's only nickel mine and smelter.

● A bus-burning campaign ensured that a general strike called yesterday throughout the Philippines paralysed public transport, but industry did not grind to a halt as left-wing labour groups hoped.

Radicals killed a bus driver and a conductor, and set 18 buses ablaze to enforce the strike, called to press for a 38 peso minimum pay rise.

The pay rise is being sought to compensate for higher oil and other prices. The government, struggling with a swelling budget deficit and rising inflation, says it may consider an increase of about half that demanded. The basic daily rate for the capital is 89 pesos.

Philippine workers received a 25 per cent rise in their basic pay 15 months ago, although surveys of industries have showed that only a fraction of businesses – mainly foreign companies – pay the minimum.

W Australia sues over bank failure

By Bruce Jacques in Sydney

THE West Australian government has moved to distance itself further from corporate failures in the state by launching a court action over the collapse of Rothwells, the merchant bank formerly headed by Mr Laurie Connell.

Mrs Carmen Lawrence, the state premier, yesterday began an action in the federal court against Mr Connell, Bond Corporation Holdings, formerly headed by Mr Alan Bond, and Wardley Australia, the merchant bank owned by Hongkong and Shanghai Banking Corporation.

The West Australian government is seeking damages of A$22.5m ($17.5m) plus interest, alleging the respondents breached a section of the trade practices act which deals with misleading or deceptive conduct.

The allegations relate to a Rothwells rescue operation in 1987 which involved various Australian corporate luminaries committing funds to prevent Rothwells from collapsing.

Wardley took a leading role in organising the funding package, which ultimately proved insufficient to save Rothwells.

The federal court writ alleges that the state government was misled in relation to a guarantee of A$150m which it provided to National Australia Bank on behalf of Rothwells.

●THE MIDDLE EAST

Freed hostages tell of psychological strain

By Jimmy Burns

THE hostages freed by Mr Edward Heath's mission to Iraq returned to Gatwick airport early yesterday and spoke of the psychological strain of their ordeal.

One of the freed, 42-year-old Dr Ronald Eccles, said: "There are a lot of stress-related diseases coming out. People have been developing heart trouble and diabetes. If they had any medical problems in the past they are flaring up and are made worse by the ordeal," said Dr Eccles, who suffers from arthritis.

Mr Tony Wilbraham, 50, a civil engineer suffering cancer, was forced to suppress faith in his own recovery to get on Mr Heath's plane.

Before his detention, he had been telling himself he might be cured. "But over there, to get out, I had to say loudly: 'I have cancer, I am dying'."

Some returning hostages, like Mr Henry Halkyard, 61, who was detained for more than a month on an industrial site 35 miles north-west of Baghdad, talked of the "friendliness" of his captors. "The food was not too bad although there wasn't a lot of it."

For Mr George Robertson, a training consultant with an Arab telecommunications company who was arrested early in August after Iraqi troops raided his Kuwaiti home, the view was more muted. "I was held on one site all the time and medically well treated, but I won't say more than that. I'm thinking of the guys who were held with me and are still out there," he said.

Edward Heath celebrates with the hostages on their flight to freedom

Information on where the hostages are being held has become increasingly hard to come by. One reason is the diminishing western diplomatic presence, particularly in Kuwait.

Another, as some of yesterday's returnees confirmed, is that Mr Saddam appears to be extending his human shield to as many key military and civilian installations as possible, while constantly moving groups of hostages from one to another.

There is evidence, moreover, that over the last week Mr Saddam has been moving western hostages from Kuwait to Iraq to substitute for some of those released yesterday.

On the basis of the latest and most reliable official and private information there are now some 580 Britons in Kuwait. Of these around 60 are thought to be held in oil and military installations in and around Kuwait City, with most of the others in hiding.

In Iraq there are believed to be 800 Britons left. Of these about 300 are detained near at least a half a dozen strategic locations including dams, oil refineries, and chemical or biological research plants. The rest are living, under supervision, in hotels, apartments or villas.

Among the latter are some sick and elderly excluded from Mr Heath's mercy mission by a mixture of bureaucracy and cold political calculation. There are also employees of British companies who have been advised by the Foreign Office to carry on working out their contracts.

Mr Heath yesterday announced that 30 construction workers would be allowed to leave next month at the end of their contract helping build and decorate a prestige administrative building for the Iraqi Ministry of Planning.

But what was publicly expressed as a concession hides a rather cruder reality. Last month five workers on the same project were arrested by the Iraqi authorities while trying to escape and remain detained in locations around Baghdad.

As a director of Ulster company Rotary International commented: "The Iraqis meant that as a lesson. Now those who are working are doing so because they want to get out. They know that if they stop working, they might not."

Mr Jim Thompson, 50, general manager of a British engineering company, spoke of frustration among hostages who had been given a diet of rice and stale bread. The conditions had provoked a riot by 15 westerners near an Iraqi armaments factory.

"We had sadistic guards who would punch hostages just for the sake of it...we tore down fences, broke all the windows and daubed anti-Saddam slogans on the walls," he said.

Jerusalem, holy shrine of intractable conflict

Hugh Carnegy on a city as divided as it ever was by the now banished 'Green Line'

IN THE Jewish Quarter of Jerusalem's Old City there is a small museum devoted to the conquest of the enclave by Jordan's Arab Legion in 1948 when war between the newly-formed state of Israel and its Arab foes left the city divided.

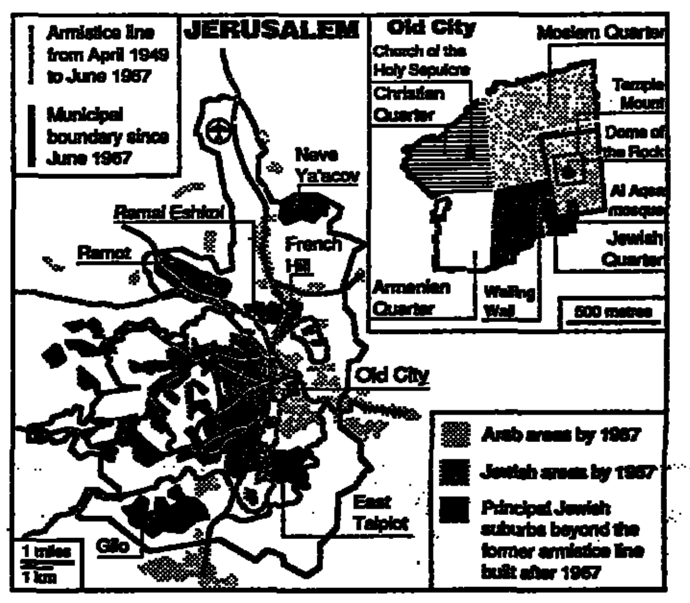
The loss of the Jewish Quarter – and indeed the failure to secure control of all Jerusalem – was the bitterest defeat for the Jews in a war that otherwise saw Israeli forces repulse Arab attacks and carve out the nascent country's borders. For the first time in nearly 2,000 years, Jews no longer had access to their holiest site, the Western Wall of the ancient Jewish Temple.

Almost 19 years later, in June 1967, Israeli troops captured the Old City and the rest of the Arab eastern sector of Jerusalem as part of their victory in the Six Day War. The Western – or Wailing – Wall was redeemed amid great emotion and the nearest thing to a consensus was established in Israeli society. Jerusalem would never again be divided and would remain forever the unchallenged sovereign capital of Israel.

"The Jewish Quarter will never fall again," says an inscription written last week in Hebrew in the museum's visitors book. "Kill Arabs," says another, more bluntly, in English.

The Palestinian claim to Jerusalem and its holy sites, in this most intractable issue in the Arab-Israeli conflict, rests, like the Israeli one, on a potent mixture of history and religion. They have populated the city for centuries and the Moslem holy sites of the Dome of the Rock and Al-Aqsa mosque – built on the stony hilltop where the Jewish Temple once stood and where 20 Palestinians were shot dead by Israeli police this month – are the third most sacred in all Islam.

"If Israelis fail to appreciate the significance of this claim, I do not see how they can hope for anyone, including the Palestinians, to appreciate their equally strong spiritual claim," said Mr Sari Nusseibeh, philosopher and member of a leading Jerusalem Arab family earlier this year.



Since 1967, Israel policy on Jerusalem has hinged on an absolute adherence to full control of the city. The authorities, notably the tireless mayor, Mr Teddy Kollek, have laid much stress on protecting freedom of worship and access for all faiths, on preventing any rebuilding of the pre-1967 "Green Line" that physically divided the city and extending municipal facilities to Arab districts.

But none of this comes near to satisfying the Palestinians. For a start, like virtually the entire international community, they reject Israel's claim to sovereignty and its 1967 annexation of Arab east Jerusalem. The city's Arab population has been offered Israeli citizenship but almost universally refused it, instead keeping Jordanian citizenship. No Arab has stood for election to the consequently all-Jewish municipal council since 1967.

They also bitterly resent the reality of development in the city which vastly favours the Jewish community. The Israeli Government deliberately set out to build a big Jewish population in the annexed areas in fortress-like settlements strategically placed around the city perimeter to ensure Jews were never again threatened in the city. Suburbs such as Ramot, Neve Ya'acov, French Hill and Gilo dwarf and separate old Arab districts where getting building permits is extremely difficult.

The result is that 120,000 of the city's 354,000 Jewish residents now live in annexed areas. The city's total non-Jewish population is 140,000, the vast majority of whom also live in these areas. Arab population growth has most years outstripped that of the Jews, but the authorities constantly try to maintain a balance by new settlement. One of Mr Kollek's reactions to unrest in the city was to call for more Jewish settlement of immigrants from the Soviet Union.

Most Palestinians acknowledge that these facts make an Israeli withdrawal from east Jerusalem impractical, short of war. Some would favour such a war but others such as Mr Nusseibeh propose some kind of shared sovereignty where Arab and Jewish districts are administered separately with a shared supreme council.

Many Israelis also believe some kind of sharing must be agreed. "If people can't understand the need to share, it will not work. People will kill and blood will flow," says Ms Asia Kruvitsky in her art gallery at the point where the Jewish and Arab quarters meet in the Old City.

Already, since the outbreak of the Palestinian *intifada*, or uprising, nearly three years ago, the city has been re-divided in practice as even the most liberal Israelis stay out of Arab areas and Arabs who enter Jewish areas do so mainly only to work.

Ahmad, a highly-qualified Palestinian engineer, says he has seen enough. He is leaving to work abroad and does not envisage returning. "My father was born in 1912. He has spent the whole of his life in Jerusalem and if you ask him he will say there is no future here. It is going to be an endless story. They fight you and you fight them. That's all."

Mourners raise martyr's banner at Chamoun funeral

By Lara Marlowe in Deir el Kamar

THE Maronite villagers said the first rain of the season was a sign of God's grief. It rained all morning, soaking the baggy black sharwal trousers and tarbouche turbans of the Druze sheikhs who came in their thousands to mourn Dany Chamoun, the assassinated Christian leader.

The funeral was arranged by the Druze leader, Mr Walid Jumblatt, whose militiamen stood watch with Kalashnikovs. A white banner raised by the townspeople to their new martyr stretched across the road. Everyone who meets a violent death in Lebanon is called a martyr, although his cause is rarely defined with precision.

The procession moved silently past the ruined Christian homes on the outskirts of the village, dynamited seven years ago in the "mountain war" between Maronite Phalangists and the Druze. In the end, Deir el Kamar was the only one of 62 Christian villages remaining. The Druze laid seige to the village for 108 days and the war ended through the Chamoun family's mediation.

In the village church, two large coffins for Dany and his wife Ingrid, and two small ones for their children Tarek and Julian, were lined up in the aisle.

Kamal Jumblatt and Dany Chamoun were martyrs together, said a spokesman for the Chamoun family. Mr Jumblatt's father was assassinated in 1977. Although many Lebanese believed the Syrians murdered Jumblatt, the Druze avenged that assassination by massacring Maronites. Yet Dany and Mr Jumblatt remained friends.

"May your martyrdom be the beginning of unity for Lebanese people," Mr Jumblatt said at yesterday's funeral.

But who will reconcile Druze and Maronites, now that Mr Jumblatt's only friend among the Maronites is dead? The Druze leader has made little secret of his hatred for Mr Samir Geagea, the Phalangist leader, and has heaped scorn on the Hrawi government, of which he is a member. In the Deir el Kamar, the Maronites of the Chouf reiterated their horror. Why had "they" killed a woman and children? No one dared say who "they" were.

Primakov renews diplomatic offensive

By Lionel Barber in Washington and Alison Smith in London

THE Soviet Union's special envoy, Mr Yevgeny Primakov, yesterday began a second tour of the Gulf in a fresh bid to find a diplomatic solution to the crisis.

Mr Primakov, a member of the Soviet Presidential Council, arrived in Egypt. He will also visit Iraq, Saudi Arabia, and Syria.

However, the Soviet envoy's shuttle diplomacy was viewed with disquiet in Washington, where it was seen as muddying the waters surrounding the multinational effort to eject Iraqi forces from Kuwait.

US officials were concerned that the mission came during a week in which the Bush Administration had acted to shore up the credibility of the military threat against Iraq after signals from the Saudi Arabian government suggesting they were countenancing compromise.

US officials were also seeking to establish why Mr Primakov was embarking on a second mission only a week after being told firmly that the only acceptable outcome for the US and its allies would be Iraq's unconditional and complete withdrawal from Kuwait.

US officials believe that anything short of this would reward Mr Saddam Hussein's aggression.

Mr Primakov last week toured western capitals to discuss his last diplomatic mission to the Gulf, during which he held talks with Mr Saddam.

Diplomats in London and Washington say that Mr Primakov did not propose any specific peace plan in talks last week, though he did raise the possibility that some form of peace conference addressing the Arab-Israeli dispute could be held out to Mr Saddam as a possible sweetener in any peace formula.

However, British and US officials yesterday reiterated their determination that recourse would be taken to military action if Iraq did not accede to UN resolutions calling for its withdrawal from Kuwait.

Mr Douglas Hurd, the British foreign secretary, yesterday repeated the UK's determination to use force.

"We are tightening the screw of peaceful pressures but we cannot shirk our part in the alternative course if that course finally becomes necessary," Mr Hurd told the House of Commons.

In Washington, Senator Richard Lugar, an influential member of the Senate Foreign Relations Committee, said that the US was "very close to conflict" with Iraq and that recent developments should not be misread as suggesting that peace was near.

Syrian pullout from Lebanon

AN ARAB initiative to end the Syrian occupation of Lebanon will be taken in the next few days, according to a leading socialist member of the French parliament, writes Ian Davidson in Paris.

Mr Jean-Michel Boucheron, chairman of the defence committee of the National Assembly, said yesterday that the initiative would be taken as a result of the recent visit by President Hosni Mubarak of Egypt to Saudi Arabia.

Mr Boucheron, who recently led a committee delegation visiting the Gulf, said that all the Gulf countries "consider this [Syrian] occupation abnormal", and he predicted that there would be a "general initiative" of the Arab countries on the theme of "sovereign Lebanon".

Chinese leader promises drastic economic reform

By Colina MacDougall

LI PENG, China's hard-line premier, yesterday surprised foreign businessmen attending a conference in Peking with a speech which promised "drastic reforms", including the key reform of prices, in the economy over the next 10 years.

This contrasts sharply with a speech earlier this month in which he barely mentioned reforms and called for caution in development. His change of line is a strong indication of the progress of the undercover debate on the economy currently under way in the run-up to the start of the eighth five-year plan in January.

Yesterday Li was trying to convey the message that in the coming years there would be radical reforms, according to one businessman at the conference. The leadership wanted China's rural and urban private sector to expand, and price reform to go ahead, so that eventually all commodity prices would be dictated by the market, not the state.

Li's speech comes on top of calls for more reform made by other senior Chinese in the past few days. On Monday Deng Xiaoping, the paramount leader, was quoted by a top economic minister as calling for "more rapid" economic reforms and opening to the outside world. Last week Jiang Zemin, the party leader, also called on the people to "speed up" the reforms.

State-run industry is in serious trouble as a result of the current conservative policy. Debt is rising fast and revenue falling, the state statistical bureau announced yesterday.

However, conservative influence is still strong. Yang Shangkun, the hard-line president noted last week that reforms would be speeded up but only "a little". At the same time the conservatives have relaunched the anti-pornography and anti-crime campaigns they ruthlessly pursued before the Asian Games.

A temporary compromise may have been reached which allows the reformers to run the economy and the hard-liners to mastermind politics.

Li lodges appeal

Mr Ronald Li, former Hong Kong stock exchange chairman, sentenced last week to four years' jail, has appealed against his conviction on corruption charges related to share dealings, writes John Elliott in Hong Kong.

He is also applying for bail until the appeal is heard - possibly late in December.

NZ reconsiders contract to purchase Australian frigates

By Kevin Brown in Wellington

NEW ZEALAND may pull out of a NZ$1bn ($605m) contract to buy two frigates from Australia if a review shows the country can no longer afford the ships, Mr Mike Moore, prime minister, said yesterday.

New Zealand agreed last year to buy the frigates as part of a joint naval re-equipment programme with Australia, its closest ally. New Zealand also has an option on two further frigates at a cost of NZ$900m.

Mr Moore said the frigate programme had been included in a general review of government spending set up to look at ways of coping with New Zealand's deteriorating economy.

Cancellation of the project would mean the loss of off-setting contracts in New Zealand worth around $150m, plus the cost of penalties for breach of contracts let in Australia.

The total cost of cancellation could reach $500m.

Mr Moore was careful to stress that no decision had been made. However, he said continuing with the frigates' programme "must, in my view, constrain our capacity to deal with the battle we have got on the home front.

"If there is to be a cut in government spending and the choice is education for the children, hospitals for the sick and taking care of the elderly, or postponing or cancelling the frigates for a lower-level naval capacity, then I know where I stand."

The announcement caused concern in Australia, where the New Zealand contribution to he frigates' programme is regarded as evidence of commitment to a joint defence effort.

Mr Gordon Bilney, the junior Australian Defence Minister, said cancellation could threaten stability in the Pacific.

"If New Zealand ever gets in a position where there is nothing left to co-operate with, that would be a serious problem for our defence effort in this part of the world," he said.

Mr Moore's announcement comes just three days before the general election on Saturday in which the Labour government appears likely to be defeated by the conservative National Party opposition.

The review may help Labour by underlining the government's determination to cut spending and by attracting support from environmental activists, some of whom saw the frigates' deal as a step towards relaxing New Zealand's ban on visits by nuclear-armed or powered warships.

The Green Party has been attracting support of around seven per cent in opinion polls, mostly from Labour, which is trailing the National Party by seven to 12 points.

Mr Jim Bolger, the opposition leader, said the National Party would also review all public spending commitments, including the frigates' deal, if it wins the election.

ANC postpones congress as exile's return is delayed

By Patti Waldmeir in Johannesburg

THE African National Congress has postponed its planned national congress, due to have taken place in December, blaming the postponement on delays in the return to South Africa of some 20,000 exiles.

The meeting, which was to have been held on December 16, would have been the first national congress of the ANC inside South Africa since the organisation was banned in 1960. The gathering was due to elect a new leadership. It will now be held in June.

ANC officials said they did not believe the postponement would affect the start of formal talks with Pretoria on a new constitution. The ANC was still planning to hold a "consultative conference" in December, at which strategy and tactics for negotiation would be decided.

Electing a new leadership at the December conference would not be possible, officials said, because the bulk of the ANC's estimated 20,000 exiles would not have returned to South Africa by then. Pretoria and the ANC have disagreed over terms for the exiles' return, though they now appear to have sorted out their differences.

The postponement also illustrates, however, the ANC's poor internal organisation, and reflects concern among some older leaders that they would be removed from office in a leadership election. Mr Alfred Nzo, the ANC secretary general, and Mr Thomas Nkobi, its treasurer, among others might find their positions threatened by younger, more radical candidates.

Preparations for the congress were known to be far behind schedule before the postponement was announced.

Plans for a national congress of the rival Pan Africanist Congress (PAC) also looked in jeopardy last night following the death on Tuesday night of the PAC leader, Mr Zeph Mothopeng, 77. The PAC, an ultra-radical black grouping was to have met in Johannesburg from November 9 to 11.

COMPANY NOTICES

NEW KLEINFONTEIN PROPERTIES LIMITED
(Incorporated in South Africa)
Reg. No. 01/00854/06
NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER PAYMENT OF COUPON NO. 193

Holders of Share Warrants to Bearer are informed that payment of Dividend No. 93 will be made in U.K. currency, on and after 9 November 1990 after surrender of coupon No. 193 as follows:-

	per share pence
Dividend declared in S.A. currency 34 cents per share = in U.K. currency on 19 October 1990 at R5.0119 = £1 to:	6.78385
S.A. Non-Resident Shareholders' Tax at 15%	1.01758
	5.76627
U.K. Income Tax at 10% (see note) on gross dividend	0.67838
Net Amount	5.08789

Coupons may be lodged and listing forms may be obtained from:-

LONDON	PARIS
36 Princes Gate Mews,	Credit du Nord
LONDON	6/8 Boulevard Haussmann,
SW7 2PR	PARIS 75009

All coupons lodged with the Paris Agents and those lodged at the London Office accompanied by Inland Revenue declarations will be paid at the rate of 5.76627p per share.

AFC INVESTMENTS LIMITED
London Secretaries

25 October 1990 per R.S. Beun

NOTE: The rate of S.A. Non-Resident Shareholders' Tax applicable to this dividend is 15% and relief for this has been given by deducting U.K. Income Tax at the rate of 10% instead of at the basic rate of 25%.

LEGAL NOTICES

Jacot Distribution Limited
JFD Limited

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that meetings of the unsecured creditors of the above named companies will be held at: Shelley House, 3 Noble Street, London EC2V 7DQ on 12 November 1990 at 11.00 am for the purpose of having laid before them a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meetings may, if they think fit, establish committees to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:-

(a) they have delivered to us at the address shown below, no later than noon on 9 November 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditors intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including faxed copies) are not acceptable.

Date: 19 October 1990

J M IREDALE & J M THOMPSON
Joint Administrative Receivers

Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

CO-OPERATIVE BANK P.L.C.
(Incorporated in England under the Companies Acts 1948 to 1980)

£75,000,000
Subordinated Floating Rate Notes 2000

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 24th October, 1990 to 24th January, 1991 the following information will apply:

1. Rate of Interest: 14% per annum
2. Interest Amount payable on Interest Payment Date: £176.44 Per £5,000 nominal or £1,764.39 Per £50,000 nominal
3. Interest Payment Date: 24th January, 1991

Agent Bank
Bank of America International Limited

SOCIETE GENERALE
USD 372.000.000
SUBORDINATED FLOATING RATE NOTES DUE 1998

For the period October 23, 1990 to April 23, 1991 the rate has been fixed at 8,80% P.A.

Next payment date: April 23, 1991

Coupon nr: 6

Amount: USD 44.488,89

The Principal Paying Agent
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, avenue Emile Reuter
LUXEMBOURG

LEGAL NOTICES

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

We, H A Sinclair of Cork Gully, Cumberland House, 35 Park Row, Nottingham, NG1 6FY and J D Harrison, of Cork Gully, Bank House, Charlotte Street, Manchester, M1 4BX were appointed joint administrative receivers of Leemancolour Limited, Registered No. 421304 by the Royal Bank of Scotland plc on 17 October 1990.

J D Harrison
Joint Administrative Receiver

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

We, H A Sinclair of Cork Gully, Cumberland House, 35 Park Row, Nottingham, NG1 6FY and J D Harrison, of Cork Gully, Bank House, Charlotte Street, Manchester, M1 4BX were appointed joint administrative receivers of Strikedene Limited, Registered no. 2362063 by the Royal Bank of Scotland plc on 17 October 1990.

AMERICAN NEWS

Dole move may hasten shake-up in US cabinet

By Lionel Barber in Washington

THE resignation yesterday of Mrs Elizabeth Dole as US labour secretary raised speculation of further changes in President George Bush's cabinet after mid-term elections early next month.

Mrs Dole, who is to become president of the American Red Cross, is the first cabinet officer to leave the Bush administration. Many Republicans and *political commentators* believe her departure offers an opportunity for a cabinet shake-up to repair damage caused by the budget fiasco.

Mr Richard Darman, budget director, looks under greatest threat. He persuaded the president to drop his "no new taxes" pledge and agree to an inconclusive summit with congressional leaders to cut the federal deficit, a course which has split the Republican party and led to a steep decline in Mr Bush's approval ratings.

Mr Richard Thornburgh, US attorney-general, is also seen as ripe for removal. He has made enemies throughout the administration; the low-point coming when he offered to take a lie-detector test to prove he *had not leaked damaging information* against a Democrat congressman.

Other vulnerable cabinet members include Mr Manuel Lujan, secretary of the interior, and Mr Lauro Cavazos, secretary of education.


Elizabeth Dole: to pursue own political ambitions

Mrs Dole was the only woman in the cabinet. A possible successor as labour secretary could be Ms Lynn Martin, the Republican congresswoman struggling to win a *Senate race in Illinois*.

Mrs Dole, 54, is married to Mr Robert Dole, the Senate Republican leader. She has spent 25 years in government posts, going back to the Johnson administration, but was never part of the inner circle of domestic policymakers under Mr Bush.

Her departure at this early stage in the administration suggests she will pursue her own political ambitions in her native North Carolina.

Many believe she may seek the Republican nomination for state governor in 1992, or for Senator if Mr Terry Sanford decides to retire.

Lukens resigns after allegation

MR Donald E. Lukens of Ohio resigned from Congress yesterday rather than face a second sexual misconduct allegation, AP reports from Washington.

"Effective immediately, for the good of the Congress and the integrity of the institution, I resign my seat in the US House of Representatives," Mr Lukens said in a letter to the Governor of Ohio, Mr Richard Celeste.

Mr Lukens, a member of President George Bush's Republican Party, resigned two days after being accused of making sexual advances on a House elevator operator who said he fondled her.

He was convicted earlier this year on a misdemeanor charge for having sex with a 16-year-old girl.

The second allegation prompted House Republicans to urge Mr Lukens to resign rather than trigger a politically embarrassing ethics committee investigation two weeks before the national elections.

The resignation concludes the ethics investigation and thwarts any formal House action.

The ethics committee had taken the unusual step of waiving its due-process rules to take immediate action on the new complaint.

Mr Lukens missed all votes conducted on the House floor on Tuesday and made no public statements.

Civil rights bill veto sustained

THE Senate yesterday failed to override President Bush's veto of a civil rights bill that would have made it easier for workers to win job discrimination suits, Reuter reports from Washington.

The 66-34 vote was one short of the two-thirds majority needed to override a veto.

Because the Senate sustained the veto, the bill is dead and the House will not vote on it.

Mr Bush vetoed the bill on Monday, saying it would encourage employers to use racial and gender job quotas to avoid discrimination suits.

"With this shameful veto, President Bush has placed himself on the wrong side of history and the wrong side of civil rights," Senator Edward Kennedy, a Massachusetts Democrat, said.

"This veto contravenes the basic principles for which George Bush has stood in his *long and distinguished career* in public life."

Havana cracks down on crimes against economy

POLICE in Havana have arrested 200 delinquents accused of illegal earnings and crimes against the economy, the official Communist party daily Granma reported yesterday Reuter reports from Havana.

Granma said those detained in operations since the beginning *of this week* were repeated offenders whose activities "caused indignation among the population, especially in the extraordinary circumstances which are facing the nation".

It gave no detail of the offences committed. Diplomats in Havana said the crackdown appeared to be aimed at black-marketeers, illegal money-changers and handlers of stolen goods.

They said the communist authorities were anxious to prevent a rise in black-*marketeering at a time of* increasing shortages of food and other goods. Shortages have been caused by disruption to supplies from the Soviet Union.

Granma said the country's socialist system could not tolerate "any kind of parasitism, nor allow with impunity those who sought to live at the cost of the work and sweat of others".

It appealed for the public to co-operate with police to help catch delinquents.

The authorities this month created more than 90 People's Councils in Havana under a new system of local community government. President Fidel Castro said one of the councils' main tasks would be to root out "corruption and privileges".

Another senior party official, politburo member Vilma Espin, recently called on Cubans to denounce anyone *clearly living above his* income.

Distortions in motor industry hit US orders

By Anthony Harris in Washington

US ORDERS for durable goods fell 1.7 per cent in September, after a revised drop of 0.8 per cent in August. There was no reaction in the financial markets, which remained preoccupied with the budget deadlock.

The unexpected fall resulted mainly from defence cuts and a distorted order pattern in the motor industry, where final sales have been unexpectedly strong.

There were bullish signs even amid the weak figures. Unfilled orders were unchanged, and remain near their historic high point. Orders for civilian capital goods, usually regarded as the best *forward indicator of* investment, rose by 6.3 per cent – or 2.3 per cent when the volatile aircraft series is stripped out. Defence orders were down 9.6 per cent.

The unexpected drop in vehicle orders appears to be the mirror image of an earlier bulge, when the industry built up inventories ahead of autumn labour negotiations and possible strikes.

In the event, settlements have been achieved almost without disruption.

Mexico unveils plan to curb police torture

By Richard Johns in Mexico City

PRESIDENT Carlos Salinas de Gortari of Mexico is to submit to Congress legislation aimed at eliminating torture by the police. The move follows mounting international criticism of human rights abuses in the country.

Under the president's 12-point programme, interrogation of suspects will be the responsibility of public magistrates – rather than the judicial police. Confessions will not in themselves be grounds for conviction.

Mr Jorge Carpizo, head of *the National Human Rights* Commission, welcomed the reform package announced late on Tuesday.

About 80 per cent of the 894 complaints about human rights abuses submitted to the commission have related to law enforcement officials and, in particular, the federal judicial police.

Although specifically banned by the Mexican constitution, torture has a long tradition in the country as a method of procuring information and confessions.

The problem has been worsened by the administration's vigorous campaign against drug-trafficking. The transfer last week of Mr Javier Coello Trejo – known as the "Iron Prosecutor" – from the office of deputy attorney-general to the federal consumer protection agency was widely attributed to criticisms of alleged *abuses by the federal judicial* police in the drugs war.

NY's decay outpaces 'do-nothing' Dinkins

Alan Friedman talks to an embattled mayor

MANY prominent New Yorkers say David Dinkins, their embattled mayor, is drowning in a sea of bureaucracy, incompetence and the worst fiscal problems since the city's crisis of the 1970s.

The parlous state of New York is clearly visible in the physical decay of the roads and bridges, *many of which are half-closed* by infrastructure works that are underfunded and may take years to complete. And the presence of tens of thousands of homeless people on the streets – the legacy of cuts in social services under former President Ronald Reagan – means that pedestrians may often be accosted by beggars.

The city's unhappy state is made worse by recession and lay-offs in real estate, advertising, retailing, insurance and financial services. Crime is on the rise again, with fears escalating after a rash of killings in recent weeks.

On the financial front the shortfall in tax revenues linked to the deteriorating New York economy *and escalating* municipal spending caused Standard & Poor's, the credit rating agency, last week to place $13bn of the city's general obligation bonds on its creditwatch surveillance list for a possible downgrade.

Last week Mr Felix Rohatyn, chairman of the Municipal Assistance Corporation, the agency set up to deal with the city's 1975 fiscal crisis, resigned in frustration and warned that New York may face "financial, economic, as well as social disaster".

The mayor, meanwhile, is being attacked by his critics as a do-nothing consensus politician who contradicts himself every time he speaks. "Do Something, Dave!" screamed a recent headline in the New York Post, the city's vox pop barometer of public sentiment.

And last month a cover story in Time magazine ("The Rotting of the Big Apple") claimed that 59 per cent of New Yorkers surveyed would move out of the city if they could.

One of the reasons Mr Dinkins, New York's first black mayor, was elected was *a hope that he would build a racial consensus*. This has not happened. But race is no longer an issue: the problem is Mr Dinkins himself.

He shocked many recently when he announced, in the same week, a generous *5.5 per cent wage increase for teachers* and proposed expanding the police force. Two days later he announced a hiring freeze and the possibility of laying off 15,000 municipal workers.

To finance the additional policemen Mr Dinkins proposed new payroll, lottery and real estate taxes that were immediately criticised by the corporate world, already hard pressed by the city's heavy taxes and in many cases seeking opportunities to re-locate out of state.

To make matters worse, the mayor claimed that the overall budget shortfall for the next fiscal year would be $1.4bn, or $500m above current predictions. But Ms Elizabeth Holtzman, the city's comptroller, *on the same day suggested the actual* budget gap would be nearly twice Mr Dinkins' estimate.

In an interview with the Financial Times Mr Dinkins defended his actions. He said only 1.5 per cent of the teachers' pay settlement would be paid for by new city funds, with the balance coming from the state budget and pension fund allocations. Asked how he planned to stop other municipal unions from demanding the same rise as the teachers he would say only that "I do not contemplate spending any more than 1.5 per cent for other unions".

The mayor also argued that his plan to put 9,000 more policemen on the streets would be financed one third from the redeployment of existing officers, a third from "money already in our budget" and the rest from new funding.

The special taxes he had proposed would be accepted "based on an initial and informal survey I have taken".

The contradiction between his $1.4bn budget shortfall estimate and the $2.6bn forecast by his own comptroller was, he said, "based on her assumption that the other unions will get 5.5 per cent like the teachers". To bridge the forecast gap "her people and my people are getting together to look at the numbers".

He admitted that the city "is in a very serious fiscal situation" but insisted his administration would respond "fully and quickly to the difficulties a deteriorating economy and rising costs pose for our budget". He said modifications to the budget that were to be presented next month would satisfy holders of municipal bonds and financial analysts.

Earlier this week, in a bit of politically-inspired belt-tightening, Mr Dinkins and his top staff imposed a 5 per cent pay cut on themselves.

Despite his myriad troubles it is too early to write off the mayor – he has been in office less than 12 months and unexpected and rapid reversals of fortune are the very stuff of New York politics.


Dinkins: Mr Consensus of old is being seen by many as the problem now

AMERICAN NEWS

Banks give Lima a breathing space

PRESIDENT Alberto Fujimori says a decision by 10 creditor banks to suspend a $1.2bn lawsuit against Peru is a vote of confidence in his aim of restoring good relations with foreign lenders, Reuter reports from Lima.

BankAmerica, Citicorp and eight other US, Japanese and Canadian banks agreed this week to suspend the lawsuit they filed in New York in March to try to recover loans.

"This is an unmistakable show of confidence in our policy of stabilisation and reinsertion in the international financial community," Mr Fujimori said.

"I am sure that this position will bring credibility with foreign and domestic investors."

Mr Fujimori has vowed to win badly needed credit and aid through better ties with lenders.

Bankers, seeking to prevent their claims from expiring under a statute of limitations, filed suit in New York last March in order to pressure the former government of Mr Alan Garcia to pay back the loans.

The banks suspended the suit when Peru agreed to meet a committee representing all its commercial creditors by March 30.

Mr Fujimori won a further boost for his debt policy this week when the Inter-American Development Bank said its president, Mr Enrique Iglesias, would visit Peru next week to study new loans after a five-year freeze.

Four people killed in fresh wave of violence

FOUR people, including a journalist, have died in political violence in separate attacks around the country, police say, AP reports from Lima.

The wave of violence followed a weekend of rebel attacks and blackouts in the capital. Maoist Shining Path guerrillas shot dead a television reporter in the northern Andean city of Huaraz, police said. Three hooded guerrillas machine-gunned Mr Pedro Macedo Figueroa in the doorway of his home in the departmental capital of Huaraz, 175 miles north of Lima, on Monday night.

Mr Macedo, 53, was a reporter for America Television, the *Lima* television station. He was well known in the Huaraz region for waging a campaign against the guerrilla movement in local newspapers and on radio, a local journalist said.

In Lima, police shot dead a left-wing rebel and captured another on Tuesday when two guerrillas opened fire on police. One policeman was seriously wounded in the attack.

Police said Shining Path rebels on Tuesday placed bombs at two university campuses. These were deactivated by explosive experts.

On the same day, police opened fire on demonstrating social security workers in Lima, killing one, according to television new reports. They broke up the demonstration with tear gas and water cannon.

More than 100 Shining Path rebels attacked a bus near the southern Andean city of Ayacucho, police said. The rebels robbed the passengers and burned the bus.

The guerrillas had declared a two-day "armed strike" beginning on Tuesday in Ayacucho, a departmental capital 230 miles south-east of Lima. The strike calls for total work stoppage and threatens violence against anyone who refuses to participate.

In the central Andean city of Huancayo, four Shining Path guerrillas shot dead a retired army officer, Andina, the state news agency, said.

Guerrilla violence in the Huaraz region, an area popular with mountain climbers and trekkers, has increased steadily since the Shining Path killed a British tourist in the area in May 1989.

More than 20,000 people have died in political violence since Shining Path took up arms in 1980. Most of the victims have been civilians, according to human rights groups.

President Fujimori and the quiet Peruvian revolution

Sally Bowen on the shift towards regionalisation and the consequent erosion of presidential powers

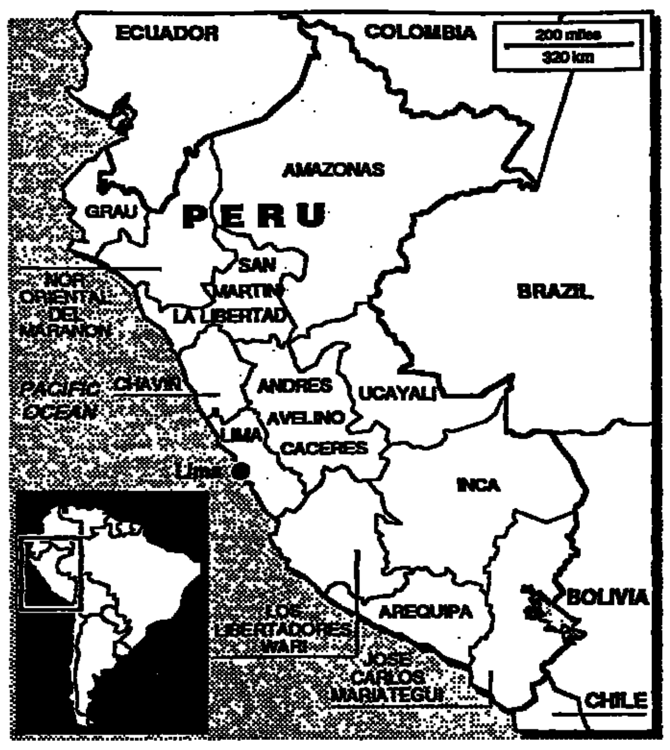
WHEN Mr Alberto Fujimori became president of Peru on July 28 he inherited a country unlike that governed by any of his predecessors. "Alan Garcia was the last of the Peruvian monarchs," said the former president's political adviser. "A quiet revolution has taken place."

That revolution is regionalisation. Already the political map has been redrawn, with 11 new regional assemblies each having their own president. Congress may even decide to separate Lima from its port Callao.

Regionalisation has been on and off Peru's political agenda ever since the 1931 Constituent Assembly, but for more than half a century no real progress was made.

On the contrary, Lima's traditionally dominant role intensified. Today more than a third of Peru's 22 million inhabitants live there and the capital has more than half the country's civil servants, three-quarters of its doctors, over four-fifths of its savings and 98 per cent of all private investment.

Regionalisation was finally written into the 1979 constitution, and approved by Congress in 1987. "It was an attempt to break the stranglehold of two of Peru's traditional power groups – oligopolies and the centralist bureaucracy,"



according to Mr Romulo Leon Alegria, one of the principal architects of the process.

President Alan Garcia threw his weight behind the policy after his thwarted 1987 attempt to nationalise the banking system. His defeat on that issue, he privately admits, graphically illustrated the weakness of the Peruvian state.

In his last few weeks of power, Mr Garcia increasingly spoke of regionalisation as the crowning achievement of his administration. He toured the newly constituted regions, transferring central government assets and state-owned enterprises.

The oratory and the cheques went down well in the provinces, but Peruvians seem bemused by the speed with which events had overtaken them. Elections for five regional assemblies were held last November, with the remainder in April, but both were overshadowed by municipal and then general elections.

"No one took it seriously and the best people didn't stand," said one Arequipa assembly representative.

Controversially, around a third of assembly members are "delegates from representative institutions". These include peasant organisations, shanty towns and trade unions, as well as representatives from universities, law societies and chambers of commerce.

Critics charge that these delegates constitute a built-in left-wing element. Its proponents say this type of participation is the only way to achieve real democracy.

Pragmatism has required that new cross-party alliances be formed. In the southern regions, particularly, extreme left and right factions are working towards common goals: not always harmoniously, but often for the first time. "It's easier to mix oil and water at regional level," said the Mariategui president.

Financing is the regions' primary concern. Central government payments invariably arrive late.

Some regions are already entering counter-trade agreements with neighbouring countries. For the Amazonas region, Brazil is a closer and more logical trading partner than Lima. The regional assembly in Iquitos plans to trade part of its petroleum for Brazilian cooking oil and margarine. And drought-stricken Arequipa is proposing to swap cheese and canned milk for Bolivian cattle fodder.

Some critics say regionalisation is a purely administrative change. Regions' power to legislate or raise local taxes is subject to congressional approval, as is their ability to contract external debt. But 60 per cent of government revenue will now be managed outside Lima. Ministries in the capital will set norms but the regions will execute policy.

However, most assemblies see the arrival of Mr Fujimori's government as a threat to the gradual evolution of regional independence. Because of Mr Fujimori's exceptionally late election rise, his party is entirely without regional representation.

Mr Fujimori pays lip-service to regionalisation. But in his first months of government, he has enraged the regions with three decrees: cutting the percentage of revenue due to the regions from natural resources extracted there; halting the formation of a unified regional development banking system; and curbing regional powers to award local mining concessions.

Worse still, he has failed to convoke the monthly meetings of the Presidential Commission on Regionalisation and has disbanded the National Planning Institute, the only co-ordinating body for the process.

Premier Juan Carlos Hurtado Miller says this does not indicate hostility to regionalisation, but rather "a curb on actions carried out very precipitately".

Mr Leon Alegria dismisses this: "Centralists have been saying for a hundred years that we aren't ready, it's not perfect, we haven't got the funds. Now the people's expectations are raised, any frustration could cause a real crisis."

Several regions have already called token strikes in protest at what they see as threats to their new-found semi-independence. Anyone who sets foot outside Lima hears one phrase repeated like a refrain: "Regionalisation is irreversible."

Rover offer of 11% dashes pay restraint hopes

By Michael Cassell, Michael Smith and Paul Cheeseright

EFFORTS by ministers and industry leaders to restrain the level of British pay settlements suffered a blow yesterday when Rover, the car manufacturer, offered manual workers an 11 per cent deal.

News of one of the highest "no strings" offers negotiated by any UK employer this year coincided with a stark warning from the Confederation of British Industry that unemployment in Britain could rise by a million in a year unless "good sense" prevailed during pay negotiations.

The Rover announcement came the day after Mr John Major, the chancellor, renewed his recent calls for a "cultural change" among wage negotiators, following Britain's entry into the ERM. Last week, he predicted redundancies and company failures unless attitudes altered.

Details of the offer were not well received within the Treasury, which is resigned to both sides in the pay process taking time to realise that there is no longer any prospect of devaluation helping to bail out uncompetitive companies.

Last year about a third of Rover's 467,000 vehicles were exported.

If the 30,000 manual workforce accept the union negotiators' advice to take up the deal, pay in year two will rise by 7.5 per cent.

Rover shrugged off suggestions that the offer was inflationary, insisting that the increases had to be seen over two years.

The company said earlier pay deals at Rover had caused its production workers to drop down the car workers' pay league, a factor which had been taken into account during the negotiations. Higher productivity bonuses would raise productivity, he added.

Under the proposed deal, consolidation of bonuses, together with changes to holiday entitlement and shift premiums, will take the cost of the package even higher.

In pay deals negotiated this year, few employers have breached the 11 per cent barrier. It is almost certain to have an influence on other pay negotiations, particularly those in the west Midlands and those involving other motor-related companies.

Polly Peck board meets over crisis

By David Barchard and Richard Waters

THE BOARD of Polly Peck International was meeting in London last night after Mr Asil Nadir, chairman, flew back from Istanbul amid few indications that he had obtained the £30m in cash needed to save the group from immediate administration.

Before leaving Istanbul, Mr Nadir issued a defiant statement in Turkish but gave no clue about whether he had found any new cash in Cyprus or Turkey.

He promised to go on fighting for his three main Turkish operations, Meyna, Polly Peck's fruit and vegetable export business, Vestel Elektronik, its consumer electronics business, and the newly-opened Sheraton Voyager Hotel in Antalya.

"These investments of ours will be specially protected from external interference and there is no question of their being financially affected by events in London," Mr Nadir said.

In London, members on the steering committee of banks said they had not heard whether Mr Nadir had succeeded in having any cash paid to the UK from the banks with which it is said to be deposited in northern Cyprus.

Audit, Page 30

CHILD BENEFIT

Government tries to soften impact of freeze

By Ralph Atkins and Alan Pike

AN EXTRA pound for all families was announced yesterday by Mr Tony Newton, social security secretary, as part of a package aimed at calming the political row over child benefit ahead of the next election.

The increase in child benefit for the eldest child in nearly 7m families softened the impact of a freeze for subsequent children at £7.25 – a rate that has not changed for four years.

Mr Newton's announcement followed a week of speculation and apparent government disarray over the future of child benefit. Mrs Margaret Thatcher prompted accusations of "panicking" after holding an hour-long meeting on Monday with Mr Newton and Mr Norman Lamont, chief secretary to the Treasury.

In the House of Commons, however, Mr Newton said his proposals had been agreed with the Treasury almost two weeks ago and before the Conservative's suffered a humiliating defeat in the Eastbourne by-election.

He rebuffed right-wing Conservative MPs – particularly the "No Turning Back Group" who have questioned whether child benefit should remain, saying it "is, and will remain, a strong element in our policies for family support". Mr Newton won limited support from Conservative MPs for his announcement but several made clear that they would have overall increases for all children.

The package which up-rated many benefits in line with inflation and increased support for people in residential care and nursing homes, will cost the government an extra £2.5bn. Mr Newton also announced his intention to reduce employers' National Insurance contributions by at least a quarter of a per cent at lower rates and by 0.05 per cent at the standard rate.

Mr Michael Meacher, the opposition Labour spokesman on social security, said the extra pound, which will cost £350m, was a "mere figleaf" to cover the government's policy of freezing child benefit and a direct response to the Eastbourne by-election. Mr Archy Kirkwood, the Liberal Democrats spokesman, said it was a "miserly change".

Child welfare organisations were also disappointed. Charities involved in the Save Child Benefit campaign generally thought that the £1 extra was a poor second best to uprating.

Mr Ian Sparks, director of the Children's Society, said he was still not convinced that the government was "behind the principle of child benefit".

Mr Newton said the "very substantial increases" for those in residential care and nursing homes, which would cost £225m, reflected steep rises in the cost of nursing homes.

But he announced freezes in some levels of statutory sick pay to take account fo the growth in occupational sick pay schemes. The lower of the two statutory sick pay rates would be up-rated fully but the higher rate would be unchanged at £52.50.

There would also be changes in the way employers are reimbursed for their expenditure on sick pay accompanied by off-setting reductions in the rates of employers national insurance contributions.

European Community offers mixed payment levels

By Ian Hargreaves

BRITAIN'S system of child support is simpler than that of several other European Community countries and about average in its level of generosity. Straightforward comparisons are difficult, but have been attempted in a UK study published this year.

France: mixes universal and means tested benefits and is designed to encourage larger families, with no payment for the first child and an increasing rate per child in larger families. Child tax allowances also exist.

Germany: combines flat and means tested benefits with child tax allowances and a tax credit mechanism to help non-taxpaying families. The system has been reformed several times in the past 15 years. A recent feature is a child-rearing universal benefit payable to mothers or fathers who stay at home for six months following a child's birth.

Italy: since 1987 has had a means-tested benefit, with 12 levels of payment. Payments per child are higher in larger families. Child tax allowances also exist at flat rates.

Spain: both basic benefits and tax allowances are available, but at relatively low rates. Larger families attract larger per child benefits.

Greece: has a four-tier income test for benefits and tax allowances for the first two children only.

Ireland: similar to the UK, with a basic, flat-rate benefit at a rate lower than UK child benefit, but increases for families with six or more children.

Portugal: has benefit and tax allowances, but pays a higher rate of benefit for the third and subsequent child only where family income is less than 1.5 times the minimum guaranteed wage.

Belgium: has relatively high basic benefits, which increase with family size. There is also a supplement related to the age of children, with higher payments for 6 to 11-year-olds and still higher figures for 12 to 15s and over 16s.

Luxembourg: offers a generous mixture of benefits and tax allowances, also skewed in favour of larger families.

The Netherlands: a non-taxable benefit is paid, weighted in favour of larger families and with higher payments for older children. These benefits, introduced in the early 1980s, are seen as a substitute for tax allowances.

● *Child Benefit: options for the 1990s. Joan C. Brown. 1-5 Bath St. London, EC1V 9PY. £5.*

BRITAIN IN BRIEF

US team to aid Hoover profit drive

American owners of Hoover are flying in a "special task force" to Merthyr Tydfil, Wales, European headquarters of the domestic-appliance concern, in a hands-on move to bring the company back into profitability. The team begins work on November 1.

Mr Daniel J Krumm, chairman and chief executive officer of Maytag, which bought Hoover in a £500m deal two years ago from Chicago Pacific, said in Iowa, USA, that the special group would draw up a plan for "the rebirth, rejuvenation, stability and a return to profitability" of Hoover's British operations.

Mr Ian Bonnar, the company's associate director of manufacturing, said yesterday the company was "not losing money".

Rothermere looks to TV

Lord Rothermere's Associated Newspapers, publisher of the Daily Mail, is planning a return to commercial television in the UK after an absence of 10 years.

The company intends to bid for stakes in commercial television and national radio networks as part of a gradual expansion away from its newspaper and magazine base into television and radio programme production.

Lord Rothermere confirmed that he was in negotiations with a consortium planning to bid for a major ITV franchise when commercial television licences are put out to competitive tender next year.

Electricity profits warning

Warnings about the vulnerability of electricity company profits are contained in a draft of the industry's privatisation prospectus which was leaked to Friends of the Earth, the environmental group.

The warnings point to the possible adverse impact on the industry of moves towards the more efficient use of energy and stress the volatility of the final supply business of the regional electricity companies.

The 127-page draft says a tax on fossil fuels and other anti-pollution measures may in future "affect the competitive position of electricity in relation to other energy sources and hence the pricing considerations of individual electricity suppliers."

Building gloom as orders fall

The recession in the construction industry deepened during the three months to the end of August as orders awarded to contractors fell sharply.

Figures from the Environment Department showed that total orders won by contractors in Great Britain fell by 8 per cent during June, July and August compared with the previous three months.

Five face court on tunnel death

Five British firms building the Channel tunnel were committed for trial on charges relating to the death of a construction worker.

The firms – Balfour Beatty Construction Ltd, Costain Civil Engineering Ltd, Tarmac Construction Ltd, Taylor Woodrow Construction Ltd and Wimpey Major Projects Ltd – are being prosecuted following investigations into the death of Gary Woodward, 32, crushed in the tunnel a year ago.

Dissatisfaction over health care

Consumer satisfaction with the UK's health care system is low by international standards, according to a survey by the Harris Research Centre.

The study says 25 per cent of those surveyed believed that the system worked well. Only the US and Italy rated lower than the UK in the table of consumer satisfaction. Canada came top, with 56 per cent believing that its health system worked well, followed by the Netherlands, France and Germany.

Pollution levels to be broadcast

Traffic pollution levels in towns, cities and the countryside are to become a regular feature of weather bulletins, the government has announced. Air quality will be designated "very good", "good", "poor" or "very poor", depending on the amount of exhaust and industrial fumes in the air.

Shipyards face German threat

Excess shipbuilding capacity in east Germany, now part of the EC, means redundant yards in Sunderland in north-east England are unlikely to be reopened, Mr Douglas Hogg, minister for industry, has said.

Douglas Hogg: warning

He defended British Shipbuilders' decision to auction the yard's plant and equipment next month before selling the site to the Tyne and Wear Development Corporation. Mr Hogg said EC regulations meant no shipbuilding could take place in the yard for the next nine years and surplus capacity in the EC made it unlikely this decision would be reversed.

UK NEWS

BAe to face competition on orders for new missile

By David White, Defence Correspondent

THE BRITISH government is to make British Aerospace (BAe) face competition for a new air-to-air missile, for which the company has up to now been the sole contender.

The original BAe-led project, the Advanced Short-Range Air-to-Air Missile (Asraam), will have to compete for the contract, estimated to be worth £700m-£800m, against a rival bid from GEC-Marconi in collaboration with Matra, the French missile producer.

The potential market for the successful missile in other countries including the US would be significantly larger. The weapon is intended as a successor to the widely-used American Sidewinder.

The government's decision comes as a blow to BAe, whose plan to form a European missile group with Thomson-CSF of France was referred to the Monopolies and Mergers Commission last month.

It follows a series of troubles with the Asraam project, conceived as the European side of a US-European programme for a new generation of weapons to equip Nato fighter aircraft.

Despite a squeeze on the Ministry of Defence's equipment spending, Mr Alan Clark, minister of state for defence procurement, confirmed the RAF's staff requirement for a new short-range missile in a written parliamentary reply this week. But he said the contract would be decided on a competitive basis.

The US, Britain and Germany signed a memorandum of understanding 10 years ago, under which the US would develop a medium-range missile and the Europeans would work on a short-range missile.

Each side would be committed to buying the other's missile and might also manufacture it.

Responsibility for the short-range Asraam project was switched from Germany to the UK in 1988, and last year the Germans pulled out.

UK officials have been struggling to keep the original agreement alive and to guarantee a US market for the British-led missile. However, delays in the Asraam project have incurred strong US Air Force criticism, and it is feared that Washington might declare the agreement void on the grounds that the missile will not be fully operational by 1994.

BAe and GEC-Marconi are expected to be asked to submit proposals next month and to place formal bids in March for a UK government decision later next year, BAe put forward a revised proposal at the beginning of this year, reducing the price for development and initial production from a past estimate of about £1bn.

BAe has been discussing participation in Asraam by Hughes Aircraft of the US, replacing the Germans as supplier of the weapon's seeker head. Hughes, a General Motors subsidiary, is prime contractor for the US programme, the Advanced Medium-Range Air-to-Air Missile (Amraam).

The MoD has said it will consider all bids complying with with the 1980 memorandum of understanding. It is understood to have confirmed to GEC-Marconi that proposal, based on the French Mica missile, meets these criteria.

France is developing this missile with two seeker systems to cover both close-range and longer-ranger combat. But the Marconi-Matra contender for the British project would be remodelled to meet the shorter-range requirement only, with an infra-red seeker.

GEC-Marconi's ambition to contest the Asraam project emerged this summer. GEC-Marconi has long been the main supplier of guidance systems for BAe missiles.

Royal Navy considers 'radical' cuts

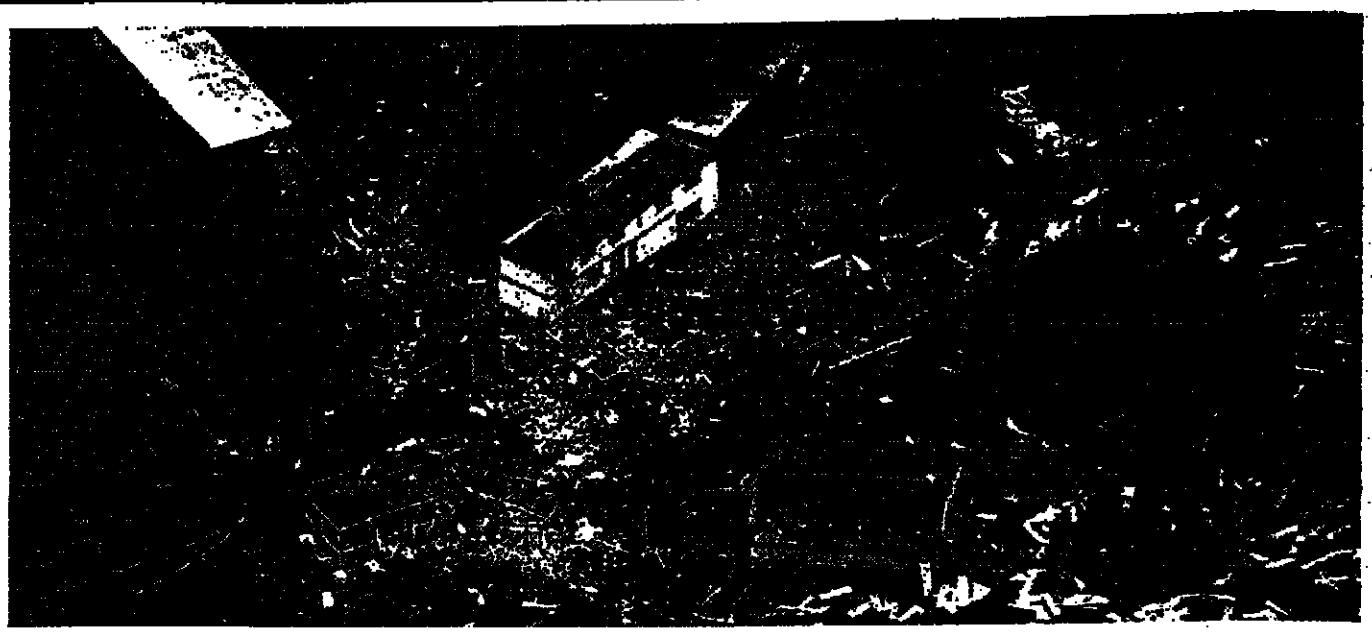
THE ROYAL Navy is studying "radical and tough" proposals for streamlining support operations, including dockyards and naval bases, according to Vice Admiral Sir Jock Slater, Chief of Fleet Support.

He would not give details of the kind of cuts under consideration but said: "Nothing is sacrosanct."

A plan would be ready in about six months, he said. Among the decisions to be made was how much refit and repair work should be given to the Royal Dockyards in order to maintain their "strategic capacity", and how much should be farmed out to commercial contractors.

The UK's remaining government-owned naval dockyards are Devonport near Plymouth and Rosyth on the Firth of Forth, both run under private-sector management since 1987, and the Navy's own fleet maintenance facility at Portsmouth, in south-west England.

Under the private-management plan, the Ministry of Defence proposed to put 20 per cent of its "core programme" of naval repair and refit work out to open competition, increasing the proportion to 30 per cent at the end of seven years. Up to now competitive contracts have mainly involved ships of the Royal Fleet Auxiliary (RFA).



The scene of yesterday's massive car bomb attack in Londonderry which killed five soldiers and one civilian

IRA condemned over hostage bomb killings

By Ralph Atkins and Our Belfast Correspondent

MR PETER BROOKE, the Northern Ireland secretary, said the IRA had "sunk to new levels of depravity by using people, whose families have been held hostage, as human bombs" in yesterday's two attacks in which six soldiers were killed.

Five of the soldiers, all members of the King's Regiment, died when a car bomb was driven into the check-point at Buncrana Road, Londonderry. The man ordered by the IRA to drive the bomb to its target is missing but police later confirmed that an unidentified body had been found at the scene.

Another six soldiers were seriously hurt in the attack and more than 20 civilians were treated for injuries. The other soldier, a member of the Royal Irish Rangers, was killed in a similar attack at the check-point on the main Belfast-Dublin road, near Newry.

In that incident, the man forced to drive the bomb to the check-point suffered a broken leg when he jumped from the van and shouted a warning seconds before the blast.

In a third car bomb attack on a Tyrone army base, police said the driver was strapped to the seat to prevent him getting away. The man drove the bomb to the Omagh base and managed to wriggle free before a small explosion, believed to have been caused by the detonator, went off.

Admitting responsibility for the attacks, the IRA claimed the men ordered to drive the vehicles containing the bombs had carried out work for the security forces.

The murders were condemned by all the province's main political parties with the exception of Sinn Fein, the IRA's political wing.

Police in the Irish Republic are questioning seven men in connection with the Londonderry bomb explosion.

Hurd 'agonises' over use of force in Gulf

By Ivor Owen, Parliamentary Correspondent

MR Douglas Hurd, the foreign secretary, yesterday made a tacit admission that western leaders were agonising over how much longer the use of force to expel Iraq from Kuwait could be delayed.

While reaffirming that the government continued to hope that the tightening of sanctions would secure Iraq's "complete and unconditional" withdrawal he said the situation could not be allowed to drag on in its present state indefinitely.

Mr Hurd, speaking in the House of Commons, refused to set a deadline for sanctions to prove effective, but accepted that at some stage the US, Britain, and the other nations involved would have to take a view on the prospects.

He said the military option could not be discarded, and that it had to be seen as a "reality" if the peaceful pressures to reverse Iraq's aggression were to succeed.

Mr Gerald Kaufman, the opposition spokesman on foreign affairs, renewed Labour's backing for the implementation of the resolutions approved by the United Nations Security Council requiring Iraq to withdraw unconditionally from Kuwait.

There was praise from both sides of the House for the role played by Mr Edward Heath, the former Conservative prime minister, in securing the release of sick and elderly British hostages from Iraq.

Mr Hurd said it was "repulsive" that the Iraqis should set about deciding who was so sick and so old that they should be released from a position in which no human being should ever have been placed.

Executives consider benefits of buy-outs

By Charles Batchelor

FT CONFERENCE
BUY-OUTS THEIR FUTURE

MANAGERS who stage buy-outs need to be tough because they will be faced with taking rapid and unpleasant decisions to make their businesses more profitable, Mr Antony Hichens, chairman of Y J Lovell (Holdings) told the Financial Times conference on buy-outs in London yesterday.

But once the buy-out has been completed, there are often "astonishing" opportunities to cut working capital without damaging the business. Capital spending could also be halted for three to four years in many businesses without damage, to allow the buy-out finance to be repaid, Mr Hichens said.

Most businesses had "nuggets of value" which were worth more to other companies than the buy-out management. Managers should beware however of selling off parts of their business which fitted in with their long term plans and which could increase the value of the overall business on flotation or sale, Mr Hichens said.

There was no prospect of mezzanine finance being offered in a securitised or tradeable form in the UK, Mr James Odgers director of Intermediate Capital Group, said. There were not enough buy-out deals of sufficient size and mezzanine finance was not sufficiently standardised for it to be offered for sale in the same way as junk bonds had been sold in the US.

Mr Odgers stressed differences between UK and mezzanine finance and US junk bonds. Before the collapse of the US junk bond market these bonds had begun assuming the risks attached to equity without equity returns, he noted.

The more cautious approach by banks and other lenders has made it impossible to finance highly leveraged buy-outs in the UK, according to Mr Roger Broke, chief executive of Candover Investments. Deal makers now talked of UBOs – unleveraged buy-outs – he noted.

Despite this, Candover had completed more deals this year than in any other in the past 10 years. Prices were becoming more reasonable and managers were learning to accept smaller amounts of equity.

Mr Broke forecast a revival of of "agreed de-listings" of quoted companies despite objections from institutions to this sort of deal. Candover was looking at two or three such transactions, he said.

Optimism about prospects for leveraged buy-outs in the US was expressed by Mr Charles Ames, of Clayton & Dubilier, a US buy-out investor. There were still under performing businesses available; prices were more reasonable, and there was a growing emphasis on the need for US corporations to focus their activities.

A major weakness of many companies was their lack of market focus, he said. Many claimed to be market driven but they lacked a deep understanding of their customers' needs.

Nu-Kote International, formerly the business supplies and forms division of Burroughs, had improved revenues and gross margins by stressing marketing, said Mr Hubbard Howe, chief executive.

After the buy-out, Nu-Kote had concentrated on improving its service to wholesalers by helping their customers order with greater accuracy and by reducing the stocks wholesalers needed to hold. Buy-out investors who understood operations would win out over those who took a financial approach, said Mr Howe.

In Germany, management buy-outs have been regarded as exceptional, if not exotic though prospects for an increase in numbers are improving, said Mr Bernd Fahrholz, head of corporate finance at Dresdnerbank.

Many of the 20,000 medium sized German companies had succession problems while in East Germany, 8,000 formerly state owned companies were potentially available for privatisation.

Buy-outs were one way of maintaining the diversity and flexibility of German industry, he said.

In the shadow of Vesuvius

Views of Naples from Baroque to Romanticism

London, 26th October - 27th November 1990
Accademia Italiana delle Arti e delle Arti Applicate
24, Rutland Gate, London SW7

The exhibition «In the Shadow of Vesuvius», sponsored by IRI, was originally held in Naples between May and July this year and was highly acclaimed.
The exhibition is now in London, and this is certainly no coincidence.
The original exhibition focused on the connection between Naples and the many foreign artists who visited the city, many of whom were British. Naples, the capital of the Kingdom of the Two Sicilies, was renowned for encouraging the spreading and exchange of culture across its borders, as a great European capital should do.
IRI, the largest conglomerate in Italy, has been operating in Naples for a long time in a wide range of activities - electronics, information technology, shipbuilding, steelworks, telecommunications, transport. The sponsorship by the IRI Group of both the Naples and London exhibitions testifyes on one hand, the desire to preserve the history of this great city and, on the other, an international commitment, made even more timely by the fast approaching European Single Market.
The very theme of the exhibition - great «views» of the city and bay - involves insight into the relationship between man and nature, city and country, man and history, great architecture and back alleyways, all of which are part and parcel of today's new-found love of «the land».
Naples in the 18th century, and especially at the turn of that century, was home to an Anglo-Italian society set in the fertile cosmopolitan cultural climate of the Enlightenment.
The links between Britain and the Kingdom of Naples were not only artistic; there were strong commercial connections too. Naples was the farthest point south on the Grand Tour for many rich young travellers. These connections were born of the extraordinary progress achieved in the British textile industry and in the field of mechanics, which were to contribute to the beginnings of modern industry in Southern Italy in the early decades of the 19th century, and to Italy's first railway line, full of symbolic importance, which linked Naples and Portici.
The works gathered in this exhibition enable us to revisit the Neapolitan history, both high and popular cultures, in the warm and luminous tones of landscapes now world-famous. First and foremost though, these works stand to signify the heartfelt wish of the IRI Group, that the great European market will be a perfect occasion to renew the traditional bonds of friendship between our two countries.

Franco Nobili

Franco Nobili
Chairman of IRI

The exhibition will be opened
by the President of the Italian Republic
in the presence of H. R. H. the Princess of Wales

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Trends in UK drinks

The froth on the flat beer market

Despite a recent slow-down, no-alcohol/low-alcohol lager is the only sector with growth potential. Philip Rawstorne reports

A drastic reduction in the number of brands of no-alcohol/low-alcohol beers - so-called nablabs – during the next few years is now being widely predicted in the UK brewing industry.

Brands proliferated during the heady growth years of the late 1980s. More than 50 were launched in 1988-89. But the sector is now losing some of its froth. Volume growth slowed last year to 30 per cent after more than doubling in each of the two previous years.

The nablabs market – estimated by the Economist Intelligence Unit in 1989 at 640,000 36-gallon barrels, 1.6 per cent of the total beer market and worth £180m in retail sales – looks likely to be increasingly dominated in the 1990s by four or five heavily-promoted products.

Costly advertising campaigns have been a feature of the rapid growth in nablabs consumption from one pint in every 1,000 pints of beer in 1984 to more than one in every 100 last year.

Spending on television, press, and radio advertising of nablabs has averaged 6p a pint compared with less than 1p a pint for full strength beers – one of the reasons, together with higher production costs, why the retail price has not reflected the savings on alcohol duty.

Advertising has undoubtedly helped to make nablabs more widely acceptable, particularly among younger, style-conscious consumers. Few could have foreseen some 10 years ago that such products would gain consumer acceptance on the present scale.

When Barbican, the Bass-brewed no-alcohol lager, was introduced by Britvic Soft Drinks in 1979, it was regarded as a bit of a joke by a largely unreceptive market. But the brewer correctly anticipated changes in consumer attitudes to alcohol and health and to drinking and driving during the 1980s and Barbican survives today as one of the major brands in the sector.

Several low-alcohol lagers were launched during the early 1980s but, by 1985, nablabs sales still only amounted to 70,000 barrels, worth some £15m, and a mere 0.2 per cent of total beer sales. The negative image of the products, seen as poor imitations of full-strength beers, "distress purchases" made to avoid drink-driving risks, was an obstacle to growth.

The market was given a substantial boost in 1986 with the launch of Kaliber, an alcohol-free lager, by Guinness. Some £1m was poured into marketing it as a serious drink to be consumed for its own sake; any obvious connection with drink driving was avoided. Kaliber's image helped to raise the credibility of the nablabs sector as a whole.

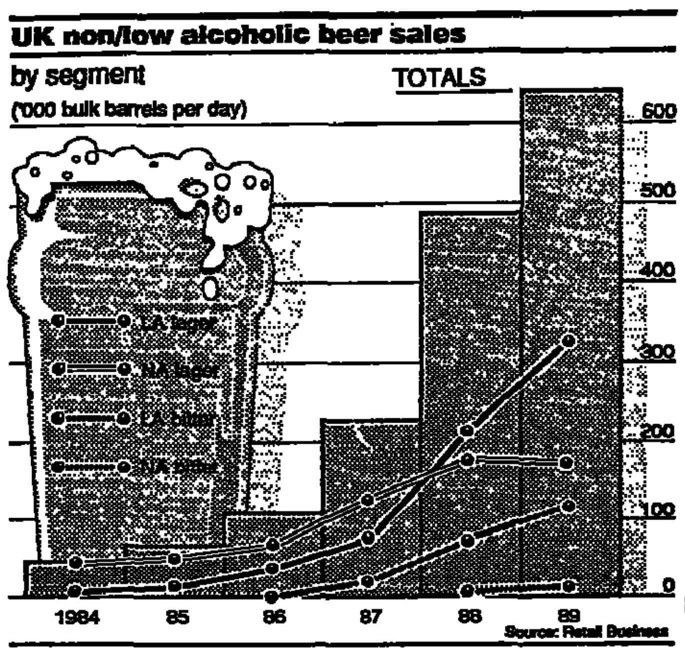
New brands then poured into the nablabs sector. Low-alcohol lager pioneers such as Danish Light and Dansk LA from Denmark, and Clausthaler from Germany, were joined by Swan Light from Allied-Lyons, and Tennent's LA from Bass. Whitbread introduced White Label, a low-alcohol bitter, in 1987, and a host of others, including alcohol-free bitters from Guinness and Bass, followed in the next two years.

Of the £10.5m spent on television, press and radio advertising last year, three brands – Tennent's LA (£3.1m), Kaliber (£2.4m) and White Label (£1.75m) – accounted for around 70 per cent.

Tennent's LA – helped by its association with the Tennent's brand of full strength lagers as well as the Bass pub estate – leads the nablabs sector as a whole. Swan Light is the second best-selling low alcohol lager.

Kaliber and Barbican dominate the no-alcohol beer market. Whitbread's White Label is gaining an increasingly firm grip on the low-alcohol bitter sector.

Despite the slowing growth rate, nablabs still offer the brewers of these principal brands a lucrative source of profit that is worth fighting for in the 1990s.



The sector is expected to be one of the most dynamic in a virtually static beer market. The EIU survey forecast that sales of nablabs would soar to £550m by 1995, and would reach £850m by the turn of the century. Total volumes would increase to 2m barrels by 1995, and 3m barrels (or 7 per cent of total beer consumption) by the end of the decade.

Other research agencies are more cautious. Mintel estimates growth for the 1990s to 1.6m barrels; Henley Centre for Forecasting has lowered its initial euphoric estimates to 1.3m barrels.

The brewers themselves are even more sober in their calculations. Whitbread suggests annual growth of around 5 per cent, producing a market for 1m barrels by the year 2000.

With the market in such an early stage of development – six out of 10 adults have not yet tried any nablabs, according to the EIU – it would seem that lower-strength beers will continue to benefit from further changes in attitudes towards alcohol, health, and social responsibility.

Drink/driving remains the major reason for buying nablabs; but the efforts of the brewers to promote wider acceptance does seem to be finding an increasingly receptive response from the health-conscious.

Much will depend on continuing improvements in the taste of the products. The Campaign for Real Ale was scathing in its verdict on most brands tested in 1988 and only 7 per cent of consumers, according to the EIU survey, prefer the taste of nablabs to that of any other drink. But quality has improved with better brewing techniques, and some early brands have been reformulated.

The retention of some alcohol is generally considered to make it easier to replicate the authentic taste of the full-strength product. Most of last year's growth in the sector was accounted for by low-alcohol bitter (the most recent entrant to the market) and low alcohol lager; and together they now form 70 per cent of volume sales.

Many in the brewing industry believe that the low-alcohol products will continue to increase their market dominance, especially as the big brewers' products, Bass's Tennents LA lager and Whitbread's White Label low-alcohol bitter become more widely available on draught.

However, the battle with the alcohol-free beers, Kaliber and Barbican, is not over yet. Consumer awareness of the strengths of beers is very low. Guinness discovered in a survey last year that half of all respondents thought there was no difference between low alcohol (less than 1.2 per cent alcohol by volume) and no alcohol (less than 0.05 abv) products.

The success of the alcohol-free beers in stemming the decline in their market share may turn on their ability to raise consumer awareness of the distinction. Guinness's advertising is already being geared to the proposition that the Kaliber drinker need have no concerns about the amount he drinks.

Telephone services

When help is just a call away

Legal expenses insurance has grown over the past decade, reports Richard Lapper. Now individual and corporate policy-holders are being offered stress-counselling

You can do amazing things at the end of a telephone. So says Jim Collett, manager of professional and advisory services at Legal Protection Group, the legal expenses insurance subsidiary of Sun Alliance.

Telephone marketing has already had an appreciable impact on motor and home insurance. With the proliferation of special advice and help lines insurers are cashing in on both potential marketing advantages and the way that the lines can help reduce the cost of insurance claims.

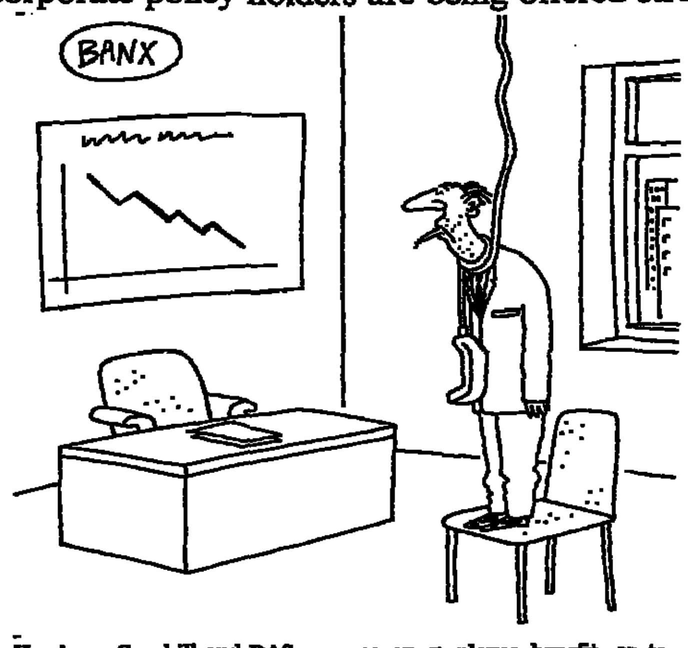
Recently a subsidiary of Royal Insurance set up what it calls a "telephone stress care service" – a commercial "Samaritans" service – which it hopes will be bought by, among others, employers hoping to reduce the cost of stress-related absenteeism and illnesses to their business.

Telephone marketing is now an established feature of the insurance scene in Britain. Selling policies by phone allows insurers to cut out the costs of selling through brokers.

Motorists, for instance, have been able to obtain their insurance over the phone for over three years with Direct Line, the insurance arm of the Royal Bank of Scotland, Churchill, a subsidiary of Wintertur, the Swiss insurer, as well as general insurers like Royal Insurance and General Accident. Over the past year telephone sales have been extended into the home buildings and contents area.

Legal expenses insurers have pioneered the help and advice lines. Legal Protection Group, like other insurers active in the UK's growing legal expenses insurance market, offers policy-holders a telephone-based legal advice service on matters ranging from how to manage a dispute with a neighbour to counselling on personal debts.

Legal expenses insurers, which provide cover for the costs incurred in taking legal action, started telephone-based legal advice services in the early 1980s. All players in the market – including Legal Protection group, CareAssist,



Hambros, Cornhill and DAS – offer the service to their policy-holders in a market worth between £45m and £50m a year in premium income.

Two companies – DAS and Cornhill – are German, the latter being the UK subsidiary of Allianz; legal expenses insurance was originally developed in West Germany.

When CareAssist, then trading as an independent company but now part of Royal Insurance, introduced its service, it did so as a way of controlling the number and cost of claims lodged under legal expenses policies. CareAssist found that policy-holders undertook legal action unnecessarily and – from an insurer's point of view – expensively.

The telephone service was conceived as a way of "nipping problems in the bud", says David Hatley, product strategy manager. "Sometimes potential legal problems can be solved simply by making people more aware of their rights." Collett says that another advantage is that LPG's advice line has been a good way of keeping in touch with policy-holders.

Leading legal expenses insurers sell the service either as part of an insurance policy or independently to employers, which can offer it to employees as an employee benefit, or to banks, which use it to enhance the value of their own products. A handful of trade unions and professional organisations also buy the service and offer it as a benefit to members.

Collett says small businesses in particular are frequent users of his own company's legal advice line. He says the fact that legal advice is available on tap 24 hours a day can be especially attractive for businesses with pressing problems which may not fit into a solicitor's 9 to 5 schedule.

General Accident launched a help-line for all its personal policy-holders last year, which it claims can take care of all the practical elements of a claim just from one phone call. If your car breaks down, the help-line handles everything from sending a breakdown vehicle to providing a hire car.

When the service was launched in July 1989, the centre, based in Hamilton, Strathclyde, employed 16 people. It has lately been receiving 1,600 calls a day and GA plans to increase the staff to 60 by the end of the year.

Last week CareAssist, a subsidiary of Royal Insurance, the UK insurer, launched Britain's first commercial telephone-based stress counselling service. The service, which could be linked to employers' liability or medical expenses insurance policies, is designed to deal confidentially with stress problems ranging from difficulties at work to marital break-up. Insurers are also examining the possibility of offering medical advice over the phone.

CareAssist's new product – called StressCare – aims to reduce the incidence of stress-related problems like absenteeism and occupational illnesses. A recent CBI study concluded that stress-related illnesses contributed to annual losses of £5bn a year.

CareAssist employs a team of trained counsellors who are on hand to talk callers through stress problems before they develop into crises. The scheme could be incorporated into employers' liability or medical expenses insurance policies and made available to policy-holders. Alternatively, employers and trade unions can buy in the service – at an annual fee of around £5,000 for a company with 1,000 employees. The 40,000 strong Professional Association of Teachers is the first body to purchase the service.

A number of commercial stress-counselling services have been developed in the US, partly designed to limit the number and size of insurance costs. Most existing schemes – both in the US and the UK – are based on face-to-face rather than telephone contact with counsellors in the employers' premises.

In the UK, stress-counselling services operated by Personal Performance Consultants (owned by Willis Faber and the US company PPC) and Focus (originally part of the Whitbread Group) are of this type.

There is some controversy about the relative merits of the two types of counselling. Alistair Anderson of PPC says that telephone counselling can have only a marginal impact. He is also critical of the level of expertise of telephone counsellors. Stephen Manton, managing director of CareAssist, says face-to-face schemes are much under-used and that the element of confidentiality inherent in the telephone scheme should help improve take-up.

BUSINESS LAW

Vat groups to get a new competitive edge in Europe

By Dominic Taylor

From November 1 this year the test to determine whether one company is the subsidiary of another is no longer satisfied by a simple majority in share ownership.

Section 736 of the Companies Act 1985, which defines subsidiary and holding company, has been changed.

The previous alternative tests of share ownership or control over the composition of the board of directors are replaced by tests determing control over voting rights on the board of directors.

At the same time a new concept of "subsidiary undertaking" enters the Companies Act and this means, among other things, that some previously off-balance-sheet operations will need to be shown in the accounts of the "parent undertaking".

These changes offer Customs and Excise the opportunity to review positively an important aspect of Vat administration – the group registration facility. Vat grouping can provide significant savings in tax by rationalisation of procedures but it is available only to companies sharing common section 736 control.

Vat groups already established by reference to share ownership will be reassured to know that Customs will apply the new conditions only to applications for grouping made after the changes came into effect.

Companies registered as a Vat group benefit from being treated as a single taxable entity in a number of ways not available to groups where the companies are registered individually. They are able to transfer resources, both goods and services, between themselves without attracting Vat charges.

This is particularly important to those engaged in Vat exempt activity who could otherwise suffer large Vat costs on inter-company transactions. But, in an era of substantial Vat penalties for accounting errors, it is almost as important to any group of companies where Vat could easily be omitted from internal billings.

In addition, the aggregation of group turnover means that the monetary limits on errors ranking for the imposition of Vat penalties are higher, so individual companies are less likely to be penalised if they become members of a group. The larger combined turnover of groups means as well that they are able to tolerate a greater level of exempt or non-taxable transactions without becoming subject to special Vat accounting regulations.

Grouping is also good for the overseas operating subsidiaries of UK businesses, which might otherwise find it an arduous task to recover the Vat on management charges, and which will find they can recover Vat on UK expenses through a group registration.

Vat grouping and the changes in the Companies Act share common European ground in that the former has a basis, like the rest of UK Vat law, in an EC directive dealing with the harmonisation of Vat in the Community (the Sixth Directive), and the latter has regard to the Seventh EC Directive on company law.

The two meet in UK law because Vat grouping is available to companies sharing common Companies Act control.

However, the UK enactment of Vat groups is otherwise a less than adequate reflection of the broad concept of fiscal unity to be found in the European law.

Article 4 of the Sixth Directive on Vat provides for legally independent persons established in a member country of the EC, who are closely bound to one another by financial, economic and organisational links, to be treated as a single taxable entity.

It is a broad concept and is not restricted to corporate bodies, nor does it require one member to control another or all members to be commonly controlled.

Despite its defects, the UK along with Germany and the Netherlands leads other European countries in implementing this piece of Community legislation. It has, however, chosen to model the UK law on direct tax principles ill-suited to the characteristics of Vat, which is an indirect tax.

In addition to confining a group to corporate bodies only, there is a residency test, which is loosely based on principles applicable for income tax and corporation tax.

This Customs and Excise test requires a foreign company wishing to be a member of a UK Vat group to have at least one board director resident in the UK.

This test, irrelevant to Vat, produces the paradox of European businesses with a branch established here for decades but unable to group with their UK subsidiaries because they cannot satisfy the largely meaningless residency test.

Article 4 allows the UK to group not just commonly controlled companies but any business entities (including subsidiary undertakings) established in the UK and closely bound to one another by financial, economic and organisation links. The implementation of this concept in full could produce a powerful economic tool for the exchange and utilisation of collective resources, unhampered by Vat considerations.

Europe is moving towards cross-national entities with the introduction of European Economic Interest Groupings (EEIGs), which are intended to be fiscally transparent so that their activities are taxed only in the hands of the individual participants in their own countries.

However, Customs have so far stated that EEIGs in the UK will be subject to the normal Vat rules. The implication of this statement is that if they make no taxable supplies here they will not recover Vat on costs.

Clearly, fiscal transparency does not fit in easily with the requirements of a transaction tax, but the introduction of the full Article 4 provisions would allow Customs to treat an EEIG as a Vat group, with equivalent benefits in Vat terms to those produced in respect of direct taxes by fiscal transparency.

Such treatment could well encourage more businesses to use the UK as the location for such joint enterprises. Present UK Vat group registration rules would not allow this treatment.

For UK businesses the application of the full provisions of Article 4 would, for instance, facilitate the setting up of special business groupings to collaborate on new products and services and market them in the expanded European single market. Vat has, in the past, proved to be a significant obstacle to co-operation agreements of this nature.

Sadly, Customs seem at present to be heading in the opposite direction. They have put forward the view that grouping was intended only to be an administrative convenience and not primarily to provide a source of tax relief for inter-company transactions or otherwise to mitigate the direct cost of the tax.

They say that member companies should not assume either that the group is truly a single entity for the purposes of tax or that they are relieved of all consequences for Vat of inter-member transactions.

Accordingly, Customs have in recent years moved to block what they perceive to be abuses of the system, taking measures to charge tax on movements of assets into and out of groups and to impose further conditions on membership by close scrutiny of group applications.

Whilst it appears unlikely that the UK will regress to the Italian group model, which allows only for group tax returns to be made, it would be a pity if we missed the chance to introduce trading groups free from unnecessary taxation.

The argument that an expansion of group Vat relief would be costly in tax terms is largely spurious and should be discouraged.

Vat is levied at each stage of production but, because relief in the form of input tax is given to each intermediary in the production chain, it is effectively collected from the final consumer.

It can therefore hardly be argued that by relieving groups of producers from charging Vat between themselves the overall tax yield would be reduced or the revenue endangered.

In fact, tax administration costs and the risk to the revenue will be reduced if there are fewer taxable transactions taking place which need to be monitored.

In this matter, Customs should be encouraged to take a bold and broadminded view of tax operations and not to allow their role as tax collectors to interfere with the other primary function of taxation as an economic tool of government.

With a tax now as complex as Vat it is almost imperative that we relieve businesses of as much of the burden as possible and take full advantage of simplification measures, such as Article 4 allows.

The author is senior tax manager at City solicitor Ashurst Morris Crisp.

Computer requires a dust down

FOR MANY international organisations – banks, credit cards companies, airline reservation organisations or international manufacturers – the thought of a mainframe computer breakdown is the worst corporate nightmare.

One of the big problems is finding out what causes the breakdowns and, if possible, preventing them. According to a recent survey by the Hardware Environmental Protection Agency, a US-headquartered company specialising in computer environments, it may not be the hardware or software that is to blame. It is more likely to be the room in which the computer is housed.

"As computers have become more sophisticated they have also become more sensitive," says Storm Larkins, chairman of Hepa. He points out that as electronic componentry is squeezed closer together inside the machines, a stray dust particle landing on the circuitry can cause damage.

As a result, according to the Hepa report, 50 per cent of all computer hiccups are caused by environmental problems. And Hepa predicts that will grow to 75 per cent by 1995.

Larkins points to five culprits in the computer room.

- Fluctuating temperatures – the temperature needs to be strictly controlled.
- Discrepancies in the relative humidity of the atmosphere.
- Carbon dust – common around badly-sealed window frames, particularly where they overlook a car park.
- Concrete dust, from underfloor structures which have not been properly sealed.
- Rust from air conditioning units which are not working properly.

In the past Hepa, which has worked mainly for the large mainframe and supercomputer manufacturers in the US, has concentrated on diagnosing the problems after they happened. Now the company is moving into Europe where Larkins hopes that large computer users, and computer manufacturers, will take the lessons of the US on board and try to prevent computer failure by cleaning up the environment before problems occur.

Della Bradshaw

Dave Madden explores the benefits of computer user groups and their relationship with suppliers

The influence of a collective voice

In the run up to Fujitsu's acquisition of ICL this summer John Gardner, the UK managing director of ICL, made half a dozen lengthy telephone calls to David Stewart, deputy clerk at Manchester Magistrates Court.

It had nothing to do with parking violations however. Stewart is chairman of the ICL Computer Users Association (CUA), and he offers this tale as illustration of how seriously ICL takes its relationship with its user group. "We were privy to the announcement before the press," says Stewart, and the CUA was able to prepare its own briefing for members the day the deal broke.

ICL has learnt the significance of taking its user group with it, says Stewart, "and if anything, the CUA has yet to capitalise on ICL's readiness to listen. ICL would welcome more push from users. The door is open."

Furthermore, as some of the old loyalties break down due to pressure from open systems environments, suppliers will be even more careful to stay close to their user groups.

It was not always thus. John Goodfellow, president of the European Unisys Users Association (UUA), and general manager of Skipton Building Society, recalls that 20 years ago "relationships between suppliers and their customers could be horrendous".

The early history of commercial computing is littered with arbitrary changes in technical direction, licensing and pricing policy – and corporate ownership – which severely embarrassed users, particularly those on this side of the Atlantic.

The user group, at once pressure group, talking shop and social club, was the customer's response. The concept is not unique to the computing industry but the hundred or so organisations with unpleasant acronymic names such as ADUS and UKCMG remain one of its curiosities, the accepted forum for users to share their problems, and a working example of the ambivalent relationship computer users have with their prime suppliers.

User groups are, with a couple of exceptions, non-profit organisations. They fiercely protest their independence although company liaison representatives invariably attend meetings to offer the company line and to hear grievances. At the same time a distinction can be drawn between supplier or product specific groups – the CUAs – and broad technical forums such as UKCMG, the former Computer Measurement Group, or the UK Unix User Group.

Yet while they are all run voluntarily by IT practitioners, perhaps supported by a small administrative secretariat, some have developed into large sophisticated organisations in their own right.

The ICL CUA is an umbrella organisation for some 35 individual user groups, which take a special interest in anything from local government to particular hardware platforms. Similarly the IBM CUA, with a membership of more than 1,400, or one of its sub-groups meets in the UK every week.

Invariably these national organisations are affiliated to larger pan-European or international groups such as UUA Europe and to the National Computer Users Forum (NCUF), the UK user groups' user group.

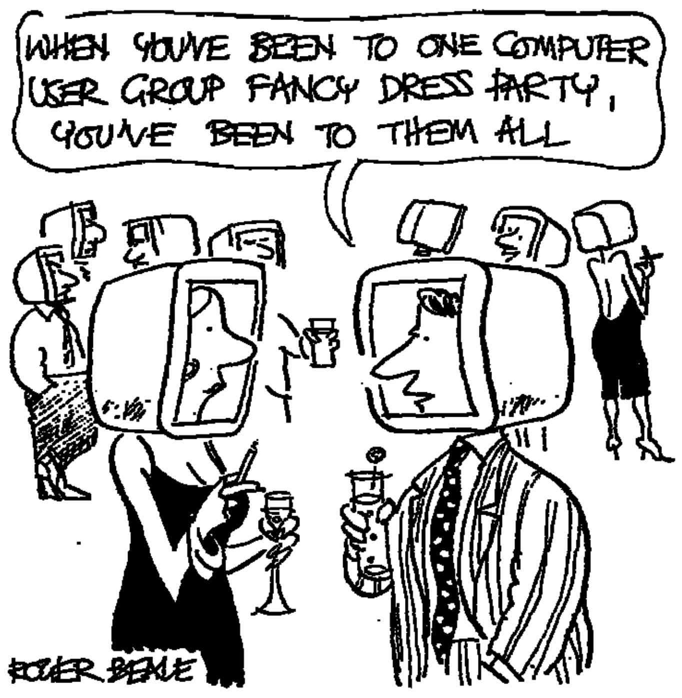
NCUF, based at the National Computing Centre in Manchester, speaks for user groups collectively in debates such as the current Oftel review of the telecommunications duopoly, and increasingly it acts as a conduit into Europe.

But does this structure work?

- Representation. ADUS, for example, the Hewlett Packard Apollo workstation user group, has around 350 members. That is probably only 20 per cent of the UK Apollo user community but, says chairman Steve Chatterton, it represents more than 10,000 installed machines, and all the big users.

Similarly Martin Sexton, the Unisys director responsible for liaison with UUA, says that all the biggest UK users are represented within this group. The importance of that, says Bill Collin, secretary general of NCUF, is that user groups marshal significant purchasing power – and it is that power which can influence vendors.

The biggest UK user group, the IBM PC User Group (completely separate from the IBM CUA), boasts more than 10,000 members. It is something of a maverick in that it is run as a commercial business. It offers training, a consultants register, purchasing discounts and, in the near future, a leasing scheme to IBM PC and PC compatible users – much to the chagrin of some of its members, who frequently find themselves in direct competition with it.



- Lobbying and influence. "In the past we have played blue murder over some issues – two price rises in six months, for example – and won informal agreements that it would not happen again," says the IBM CUA's official spokesman. "IBM always says it consults users. It's not stupid, it looks hard at the market – but we are not that influential," he adds.

ADUS's Steve Chatterton is more bullish. When HP acquired Apollo last year ADUS, then representing the Apollo community, was convinced that HP intended to squash the (Apollo) Domain product in favour of Risc technology.

That did not happen when the initial merged products arrived in June and Chatterton claims that ADUS can take much of the credit. "We played a big role in explaining to them [HP] just what a good product they had got hold of."

Richard Owen, HP technical representative at ADUS meetings, concedes that at first HP "didn't appreciate the amazing loyalty people had to this esoteric Domain technology".

But, he adds, ADUS's voice was just one of many – not least ex-Apollo staff and Apollo's third-party software houses. It is this collective lobby, says Owen, that has been vindicated not just by HP taking the message on board, but by the Open Systems Foundation's adoption of Apollo architecture as the basis of its forthcoming distributive computing environment.

John Goodfellow argues that user groups worldwide do influence Unisys's product strategy. In particular the UUA can offer a European view to telecommunications issues, for example. Unisys's Sexton says that in effect it has built up a business partnership with the UUA. The group and it members are privy to both Unisys's product and management strategy, Sexton says.

At the same time the UUA recently delivered to Unisys a detailed analysis of the business outlook for its members, and what they would need from Unisys to stay competitive.

However both the HP Apollo and Unisys experiences suggest that the bread and butter of lobbying has more to do with operational than strategic issues. Chatterton talks of the culture shock of now dealing with HP, a disparate organisation many times the size of Apollo, and currently ADUS is lobbying over software licences and the complexity of the price list. Similarly Sexton points to Unisys capitulations over the years on maintenance clauses, and its invoicing practice.

- Experience. There is clear consensus that the opportunity to share experience within the user group is just as important as any problem solving or lobbying role. Obviously this is the raison d'être for the likes of UKCMG. It is a technical forum, but it applies to vendor-related groups too.

"User group meetings are a forum for exchanging best practice," Sexton observes, while the IBM CUA says the major benefit of CUA membership is undoubtedly "peer-to-peer meetings".

Ironically, as open system architectures gradually penetrate commercial installations, and as long time IBM or ICL users begin to look beyond their proprietary environments, this sort of informed peer group opinion will be at a premium. Far from compromising conventional user groups, it could stimulate them.

It is precisely this shift that, John Goodfellow argues, will underpin the future of the user group movement. "User group relations (with suppliers) are much more mature and forward looking now. We are no longer trades unions there to beat up our supplier. We have a mutual interest.

"If Open Systems really is the genre of the 1990s, and customers do become more transient, then suppliers will appreciate just how important user groups are in keeping customer loyalty. They will have to work even harder to keep you on their flavour of the open system."

Motorola launches 'wireless' network

By Louise Kehoe

Combining cellular radio and computer technology, Motorola, the US electronics group, has developed a system that will allow office computers to communicate without wired links via microwave radio signals. The system promises to reduce significantly the costs of office computer networks.

The Wireless In-building Network (WIN) is not a new concept, but efforts to implement radio links between office computers have so far fallen short of the performance of conventional systems. Motorola claims, however, to have developed technologies that overcome these limitations by using higher radio frequencies and semiconductor signal processing devices that reduce the size and cost of the transmission and receiver equipment.

The advantages of a "wireless" network within an office building are clear. While conventional networks tether computers and their users to a fixed location, a wireless network would allow computers to move about freely within a building in order to meet changing requirements as workloads shift.

The initial cost of installing a wireless network will be "competitive" with conventional cabling, Motorola says, but the cost over the lifetime of the system should be lower because rewiring expenses would be eliminated.

Networked data terminals are typically moved one to three times per year, according to industry studies, so the potential savings are considerable. "Given the physical, logistical and financial problems associated with wire and cable-based communications in a building, our goal was to develop a practical, high-performance technology to replace 'the last 100 feet of wiring' to office desks and equipment," explains Bernard Smedley, senior vice president of Motorola's Radio-Telephone Systems Group.

The first Motorola product to embody WIN technology will offer wireless local area network (LAN) communications between personal computers at speeds of 15m bits per second, about 50 per cent faster than standard wired LANs. The product is scheduled for introduction in the US early next year with international shipments to follow.

WIN technology is compatible with existing network protocols and standards such as Ethernet or Token Ring and can be used to extend or replace hard-wired networks. The WIN works like a miniature cellular communications system, with "microcells" defined by the floors and walls of a building.

Operating at microwave frequencies (18 GHz), very low power signals are transmitted and received by units the size of a pack of cards. Microwave frequency signals are superior to lower frequencies currently used for wireless networks, Motorola says. Because the low power signals used to link computers are attenuated over relatively short distances, they do not interfere with other types of microwave communications systems.

Use of this frequency for in-building communications was approved in the US by the Federal Communications Commission in April. Motorola is currently seeking approval to use its technology in other countries.

Reducing the costs and size of microwave radio components to fit an office environment while achieving high speed error-free communications presented the company with several challenges.

Four new patented technologies are key to the WIN: an "intelligent" antenna that automatically and continuously selects the best signal for each data transmission; a single chip radio frequency digital signal processor for data synthesis and recovery; Gallium Arsenide components used to build the miniaturised 18 GHz radio; and a switch and single-chip high speed packet switch and network interface device.

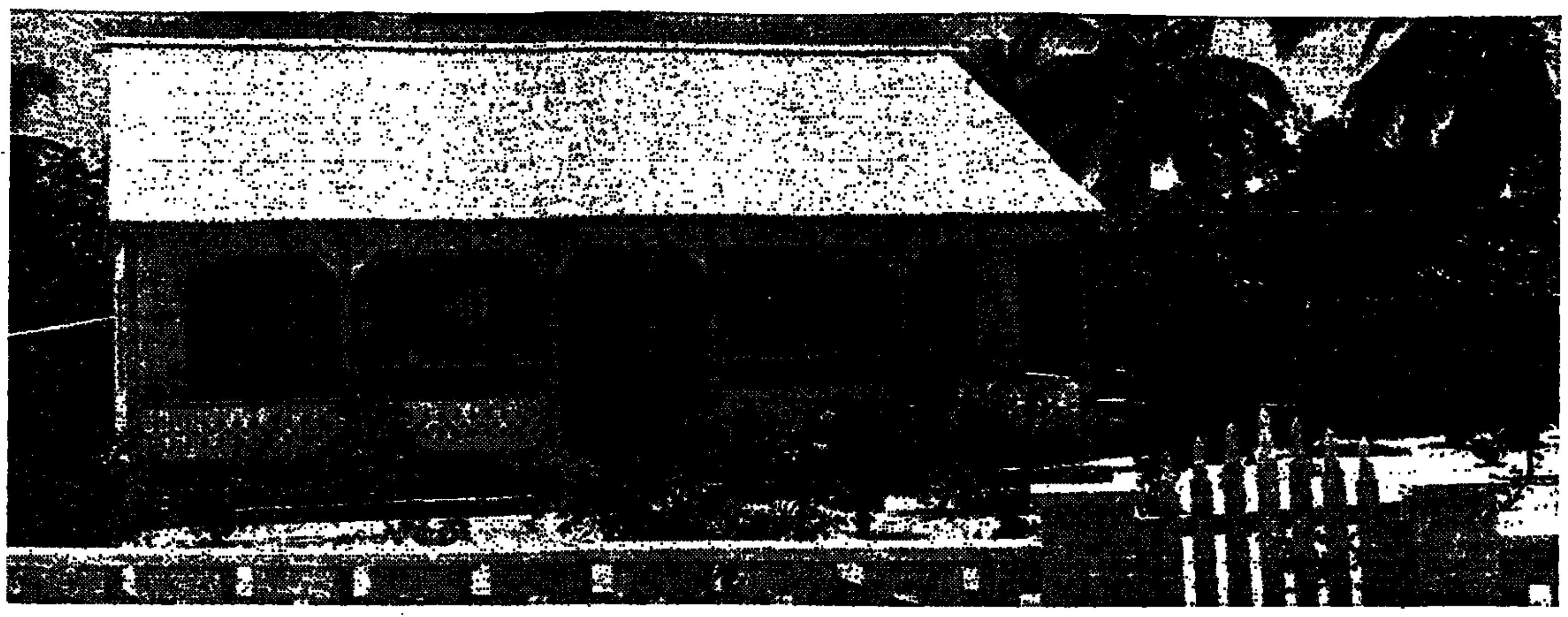
"The technology makes possible a whole family of high-speed wireless communications systems and components to be introduced over the next decade," said Edward Staiano, president of Motorola's General Systems Sector. "Over the next 20 years, we will witness a 'wireless evolution' in professional and personal communications."

FINANCIAL TIMES SURVEY

CAYMAN ISLANDS

Thursday October 25 1990

In just three decades shrewd Caymanians have transformed their mosquito-ridden fishing community into a tax haven and financial centre that some say could act as a model for others. It is also an increasingly popular tourist spot. **Richard Donkin** outlines the political and economic outlook



A traditional-style Cayman house in the West Bay area of Grand Cayman

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Fishers of money men

PORTRAITS OF the Queen and Prince Philip hang benignly above the tourists queueing for passport control at Owen Roberts Airport in Grand Cayman, reminding them that they are entering a crown colony. North Americans need only their driving licences. Passports are required by other foreign nationals, including Britons.

No slight is intended – US driving licences carry identity photographs, UK licences do not – the requirements are a reminder that the Cayman Islands are just 480 miles or one hour's flight from Miami.

The older islanders still call the Queen "Mother" and the Governor continues to wear a white pith helmet crowned with royal swan feathers for ceremonial occasions, but Caymanian children play American softball in school and almost everyone watches US television shows.

In a country where more than a third of the 26,400 population comprises non-residents, where the banks are run mainly by Britons, where the hotels are run by Americans and where the buildings are built by Jamaicans, it might, wrongly, be suspected that native Caymanians contribute little to their society.

In fact, Caymanians have a great sense of their own identity. They have one of the wealthiest societies in the Caribbean, with a GNP per head of CI$15,000 in 1988, and devote their energies and ingenuity to keeping it that way.

Politically, the islands have been going through a period of growing pains. Some members are demanding a more developed constitution, although retaining the political safeguards afforded by the Crown. The UK Foreign Office has agreed to carry out a review of the constitution, last updated in 1972, in the new year.

Any latent desires for self-determination remain subordinated to general recognition of the underlying benefits of the Islands' present status.

Mr Alan Scott, the Governor, faced with a recent protest against the government from placard-carrying citizens was afforded the sort of respect that would be envied by most western leaders. According to one observer: "When they'd had their say, including cries of 'Scott out', they all sang God Save the Queen and went home." In spite of the experience, Mr Scott, who was Deputy Chief Secretary of Hong Kong before this appointment, appears to have a firm grip on internal affairs.

Although Grand Cayman is an increasingly sophisticated financial centre – it is said to have the highest concentration of facsimile machines in the world – the image of high finance conjured by the presence of more than 500 banks is misleading. The capital, George Town, originally a fishing village, is essentially a booking centre with book keeper bankers. The $340bn which was booked to Cayman banks last year largely comprised figures on screens, albeit representing a large slice of international finance.

The stringent confidentiality laws remain in place, affording protection for those avoiding tax, but a Mutual Legal Assistance Treaty signed with the US in 1986 has paved the way for US drug money laundering investigations into Cayman bank accounts. About 12 inquiries under the treaty are currently before the Attorney General.

A good image is, of course, essential to retain its competitiveness as an offshore centre in an area with many small island states offering similar facilities.

Caymanian legislation so impressed Mr Rodney Gallagher of Coopers and Lybrand, asked by the UK Government to cast a critical eye over the offshore financial centres in Caribbean dependent territories, that in his report in January he described the islands as "an example for all in regard to the efforts made to introduce sensible and relevant procedures for regulation and supervising of the offshore sector."

Grand Cayman, Cayman Brac and Little Cayman, which constitute the Cayman Islands, were first sighted by Christopher Columbus in 1503. They were rediscovered by Barclays Bank nearly 40 years ago when they were little more than a haven for mosquitos.

The Caymans claim to be the remotest group in the Caribbean. Grand Cayman, the largest at 22 miles long, is 150 miles south of Havana, Cuba, and about 180 miles west of Jamaica.

The two smaller islands, about 80 miles to the north-east of Grand Cayman are largely undeveloped. Cayman Brac, population 1,400, is a favourite among those who like a quiet holiday. Little Cayman, 11 miles long with just 33 residents, has some of the best scuba diving in the world.

The original European settlers in the mid-17th century had been encouraged by Oliver Cromwell to colonise Jamaica. A few families came with their slaves to the Cayman Islands, intermingling over the years, thereby removing potential racial strife.

Two family names, Ebanks and Bodden, so dominate the islands' telephone directory today, that the islanders tend to differentiate themselves by their first names.

For much of their history the islands were no more than a small seafaring community. Until the US merchant marine began to contract and economise in the early 1960s many Caymanians earned their livelihood from crewing ships.

Tourism, expected to attract more than 600,000 visitors this year, began as a trickle after the airport opened on Grand Cayman in 1950. The islands were still being run as a dependency of Jamaica, but when Jamaica chose to go independent eight years later the Cayman Islands opted to remain a British Crown Colony.

The political stability of a colony, social harmony, improving communications, a simple statute book, no income taxes, and a welcoming approach to outsiders, provided the basis for a new economic era.

Mr Vassel Johnson, a former financial secretary and a grand old man of Cayman politics, insists he was the first to spot Cayman's potential as a tax haven. "But before we could do anything," he says, "we had to get rid of the mosquitos."

While much of the enabling legislation for banks and trust companies to settle in the islands was laid down in the 1960s, the first surge of interest came from banking refugees who abandoned the Bahamas when they were granted independence in 1973.

The banks were able to operate with few restrictions and regulations and they became an important arm of the banking operations of New York, particularly in Eurodollar dealings. American banks found they did not need to fulfil reserve asset requirements when they raised deposits through their Cayman outlets.

In the wake of financial advances, Cayman has had to bring its infrastructure and society into the 20th century, two areas where it has enjoyed mixed success.

Prudent budgetary control has left it in a strong position on paper, but the need for large-scale capital investment in infrastructure has caught up with Cayman, at a time when many residents fear that the economy is in danger of overheating.

The simmering political debate which led a delegation of members to visit London in August to demand constitutional reforms centres mainly on budget policies – whether to embark on costly schemes, labelled "grandiose" by opponents, or to improve existing arrangements.

The plans – curtailed by a backbench revolt at the time of the last island budget but likely to be carried, with some revisions, in the next budget after changes to the finance committee threaten to tip the country into debt.

The government, deprived of fiscal measures to rein in growth, has placed a moratorium on hotel building on Seven Mile Beach, the most popular area for tourism, and has warned that it could use its powers of veto on the granting of work permits, also to restrict growth.

Work permits are handed out, or removed, by the Cayman Protection Board, one of the most powerful groups on the islands. In practice, the Cayman government is unlikely to wield this stick because it knows that Cayman owes its wealth to the expatriate community.

More worrying is the reluctance of Cayman society to adapt to new demands arising from the growing expatriate community. Caymanians jealously guard their citizenship and endow the status on only 12 new applicants each year.

It is too early to judge whether the growing non-resident community, which may soon outnumber native Caymanians, could prove a source of future unrest, but the status of expatriates who have made Cayman their home will have to be addressed at some stage.

ECONOMY: There are problems, but they are the fruits of success. Richard Donkin reports

Pressures that would be envied

IN JUST 20 years the economy of the Cayman Islands has risen from low subsistence to that of a Caribbean cash register constantly ringing up new wealth.

For five years to 1988, the latest figure available, the economy grew on average by 10 per cent a year. In 1988 it grew by 15 per cent, allowing for inflation. Increasing tourism coupled with an accommodating approach towards development has led to a spate of hotel and condominium building and rising real estate prices.

During the last decade the Caymans' budget more than tripled from CI$30.8m to CI$96.9m in 1989. While much of the income was spent on improving utilities, such as electricity and piped water, the rapid growth has continued to outstrip the islands' infrastructure.

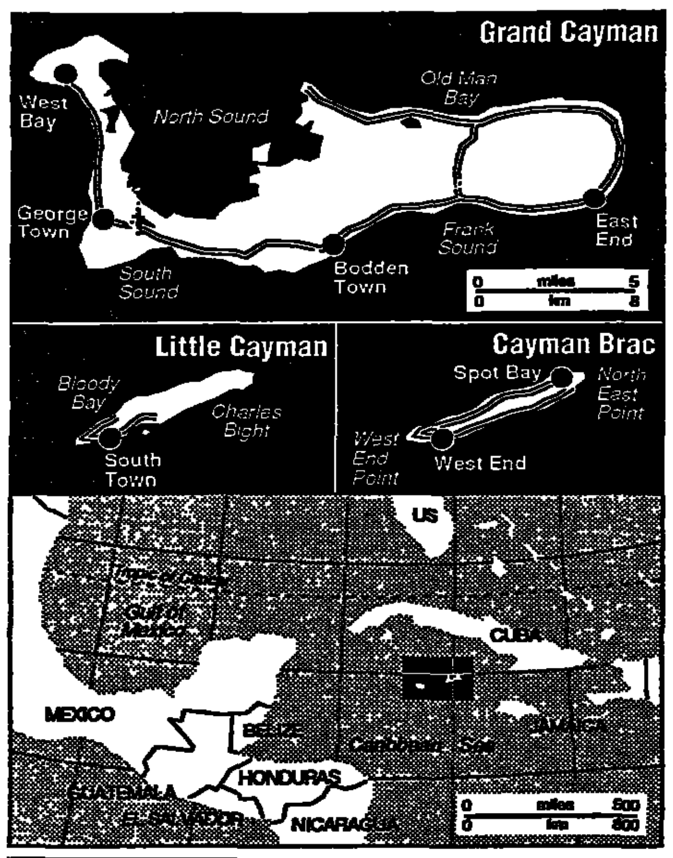
The Government, with few fiscal powers of restraint, is now confronted by what some believe is a rapidly overheating economy. The fears are underlined by Cayman's strong dependence on the US economy, particularly in the area of tourism, and the feeling that recession inevitably follows boom.

That Cayman would suffer the full knock on effect of a US recession is not accepted, however, by Mr Thomas Jefferson, the financial secretary. He says: "We are catering for tourists at the upper middle price level. That market is not seriously affected by Chrysler shutting down and laying off people in Detroit."

Government revenue is drawn almost entirely from hidden or indirect taxes and duties on imported goods. Last year the customs and excise collected CI$37.2m in revenues, about 40 per cent of the total revenue for the government and by far the largest slice of government income.

A breakdown of revenues for 1988 shows the amounts brought in by the following:

- CI$34.2 on import duties
- CI$12m on stamp duty on land transfers
- CI$8m on company fees
- CI$5.5m on bank and trust licences
- CI$2.7m on work permit fees
- CI$2m on tourist room tax
- *CI$1.9m on insurance* licences.



The new developments and the influx of people to construct and staff the banks and hotels has led to a population growth of nearly 10,000 in 10 years. Burgeoning traffic and demands of a modern wealthy society exposed via a proliferation of satellite TV dishes to the excesses of American consumerism, is placing ever more strain on the infrastructure. There are more than 12,000 motor vehicles for 133 miles of road on Grand Cayman.

While Cayman Brac and Little *Cayman have so far survived* with scant development, the charm of their big sister has been heavily eroded by the impact of late 20th century urbanisation. Like a hungry caterpillar grown too big for its skin, Grand Cayman, led by the Executive Council members, is demanding large scale investment for the future – a dual carriageway to relieve rush hour congestion, a new CI$20m hospital and new schools.

The combined sum of the proposed projects, which have not yet been thoroughly costed and are already being trimmed as a result of political opposition, threatens to plunge the island heavily into debt for the first time. The prospect has caused considerable unease among the new generation of Caymanian politicians and business people.

The most vocal critics sit on the backbenches of the legislative assembly, claiming they are now represented by a minority government. Many have changed their support since the 1988 election, protesting about the spending proposals. Further unease has been registered by the Cayman Islands Chamber of Commerce, representing 550 businesses, which has increasingly spoken out against the plans, which some feel are grandiose.

The developing economy is also confronted by social pressures – the need for pensions and care for the elderly. The pure form of capitalism that

Mr Thomas Jefferson

has swollen the islands' econ*omy has been forced to* embrace notions of collective social responsibility that can no longer be ignored in the headlong pursuit of wealth.

The need for large numbers of itinerant, mostly Jamaican, construction workers and British expatriates is causing tensions among Caymans fearful *that they will soon be a minority* in their own country.

The numbers of non-resident workers, however, can be seen both as the cause and the effect of economic progression. The financial centre was founded on the skills and expertise of the expatriates and it was built largely with the labour of Jamaican workers.

Pension legislation, currently under discussion, which proposes to tie in contributions from expatriates who would receive no benefit from their contributions when they leave the island after a year or two, is causing some dismay among the non-resident community and would appear to reflect yet another divide in a society in danger of developing two tiers.

Of the two most significant pillars of economic growth – finance and tourism – the latter is perhaps the most susceptible to environmental pressures caused by unchecked expansion.

The tourists come for the sea and the sand, but most of all for the excellent diving opportunities. Grand Cayman is not a cheap island, nor is it in any way sophisticated. *For North* Americans discovering the Caribbean, however, it is one more to notch up on the list of those to visit.

US tourists receive a warm welcome from US-style hotels with hash brown and streaky bacon for breakfast. There is an *even warmer welcome for* their dollars which allow the Caymans to boast a GNP higher than that of the UK.

Without the holiday trade, the Cayman economy would be seriously undermined. Caymanians have been able to prosper without income tax or the need to directly tax the financial community mainly because of the large amount of import duties collected on drink, food and all the other essentials necessary to sustain an American family abroad.

Caymanians go to the US mainland to spend much of *their domestic* income because import duties, coupled with carriage costs often make goods in Cayman stores prohibitively expensive for islanders. One government economist estimates that at least 40 per cent of Caymanians spend their incomes in Miami.

The recent moratorium on hotel building on Seven Mile Beach, the main holiday area, could not have come too soon. It appears rather hollow, however, in that most of the beachfront gaps are being filled by condominiums.

Condominium developments may prove a substantial economic benefit in the long run. *Apartment holidays* are an attractive alternative to the hotels and some of the latest condominiums are high class apartments changing hands for up to US$1.5m.

The use of hidden government taxes, such as tariffs on changing travellers cheques, room taxes in hotels, and airport duties, so widespread throughout the Caribbean, is a shrewd way of placing the tax burden on the tourist and so far does not appear to have been a deterrent.

Mr Jefferson, is adamant that the policy of value added *taxation will remain. "The con*sumer or resident is unlikely to agree to any sort of direct taxation," he says.

It appears a favourite pastime of Caymanians to forever turn stones looking for a crisis underneath. While the islands clearly do have economic problems, they are the sort that many of their Caribbean neighbours would gladly swap for their own.

KEY FACTS

Area	263 sq km
Population	26,400
Currency	CI$
Average Exch Rate	CI$1.2/US$1.0

ECONOMY

	1988
Total GDP (CI$m)	429
Real GDP growth	15.2%
Total GNP (CI$m)	384
Real GNP growth	13.8%
Budget surplus as % of GDP	1.3%
All government debt as % of GDP	5.9%
Exports (CI$m)	1.9
Imports (CI$m)	192.6
Trade balance (CI$m)	-190.7
Trade dependency**	45.3
Inflation	5.2%
External liabilities of all banks (US$m)	246,039
External assets of all banks (US$m)	281,032
Insurance: gross written premiums (US$m)*	1,613
Insurance: gross assets (US$m)	4,461
Employment growth	9.3%
Visitor arrivals by sea (000s)	315.6
Visitor arrivals (000s)	218.7

* May be understated due to net premiums being quoted by some companies

** Exports plus imports as a % GDP.

Source: Cayman Islands Statistical Abstract

The turtle farm produces about 12,000 hatchlings per year

TURTLE FARM

Floating assets

TURTLE Number 314 (weight about 300 pounds; age somewhere between 40 and 65 years) gobbles a pellet of custom-made turtle *chow*, executes a languid U-turn and makes a slow, shallow dive to the bottom of the pool.

Number 314, and about 15,000 colleagues, only just made it to their relatively pampered existence on the Cayman Turtle Farm.

Before the economy of the Cayman Islands was transformed by tourism and financial services, Caymanians were seafarers, and the green turtle was the only easily available source of meat. The islands were originally named the Tortugas after the "tortoises", actually turtles. Over-fishing reduced the turtle populationto near-extinction. Now the farm, a unique experiment, and an unusual livestock operation, is trying to rebuild the numbers.

"When the farm was started in 1967 the turtles were marketed worldwide. The farm started with the concept that such an operation would eliminate pressure on turtles in the wild," says Dr Fern Wood who manages the farm with her husband.

As a commercial livestock operation, the farm ran into trouble in the 1970s when the Covention on International Trade in Endangered Species (CITES) prohibited trade in turtle products, saying the animal was an endangered species. When the venture faced closure in 1983, the government bought it and operated it as a tourist attraction which also met local demand for turtle products.

"The sea turtle was listed as an endangered species, but the farm tried to get an exemption based on the belief that it was producing farm animals," says Dr Wood. "But under the convention it was not accepted as a true farm because it had not produced a second generation animal, and there was no reliable production. We have now produced second generation animals, but there is still a question whether production is reliable."

The turtle farm produces about 12,000 hatchlings per year, of which just over half are kept to meet domestic turtle meat demand. The rest are released into the sea, some immediately, some a year later.

Turtles for local consumption are processed in the farm's abattoir to produce meat products, skins and shell. Dr Wood says their efforts led to an increase in the sightings of turtles around the Cayman Islands, and there are indications that they are staying and feeding around the islands.

Last December the turtle farm suffered a setback almost as crippling as the strictures imposed under CITES. A freak storm hit Grand Cayman and thousands of young turtles produced on the farm were washed out to sea when their tanks were destroyed. The damage, which the farm's management put at CI$400,000, could have been worse, were it not for the fact that the breeding stock, central to the farm's operations, had been moved inland a few days before the storm.

Canute James

PROPERTY: rapid growth may take its toll, says Canute James

Profitable investment area

GROWTH OVER the last two decades in the tourist industry and the financial services sector has greatly expanded the Cayman Islands property market, mainly on Grand Cayman.

Developers and realtors agree that there is little to suggest that the property market will soften, in spite of changes in the international economy, although they do expect seasonal weaknesses.

Foreigners have been investing in retirement homes and condominiums here. According to developers, many of the investors have had a holiday in the islands, and consider a condominium, or a holiday or retirement home a sound investment.

Foreign companies involved in the financial services sector have also contributed by providing expensive homes for their expatriate employees.

On Seven Mile Beach just outside George Town a linear foot of seafront, if it can be had, goes for US$15,000. This has set the pace for property values in other parts of Grand Cayman. Less fashionable beach front property sells for between US$1,000 and US$2,500 per sq ft.

A sound economy and political stability have made property in the islands a sound and profitable investment. The market has also been encouraged by the absence of restrictions on foreign ownership of land, and by the government's land registration system which is helpfully clear on ownership.

"The majority of those buying property in the Cayman Islands are Americans, the rest being Canadians, Europeans and South Americans," says Mr Billy Culbert of Seales and Company, real estate brokers.

"There are a variety of reasons for buying. Condominiums, for example, range from US$200,000 to US$1.5m. At the low end, the purchasers are buying with financing and are looking for rental income when not using it. Over this range rental income would not support the purchase."

Mr Culbert says also that the market is being influenced by companies operating in the Cayman Islands which use real estate to capitalise their operations.

There has been a concurrent surge in commercial property. In George Town's central business district, the cost of office sites has risen from US$10 per sq ft in 1970, through US$20 in 1980 to US$60 per sq ft today. Realtors are forecasting US$150 per sq ft by the end of this decade.

Inevitably, the changes have affected the taste of Caymanians. "There are two housing markets in Grand Cayman," explains Miss Christine Ballard, the director of planning. "In general, people build where they want to and not all of them are expatriates. Other areas, such as Safehaven and Governor's Creek, are millionaire's areas."

Mr Culbert says Caymanians have been selling their US$150,000 homes and purchasing others for US$250,000. "In the 18 months before last Christmas the market was very flat, but we had a surge of activity in the first six months of this year," he reports. "It is now the off season, but in commercial terms we have had a real boom in the first part of this year and some land prices have doubled. Prices will continue to rise. The cost of construction went up ten per cent last year and we are looking at another ten per cent rise this year."

All this has placed a strain on infrastructure and support services. Utilities have to be provided to keep pace with development, transportation networks must be improved and labour must be imported.

The government recently imposed a three-year moratorium on hotel construction on Seven Mile Beach. The intention, say officials, is to encourage hotel construction in other areas, and ease the strain on facilities.

But Mr Mario Ebanks, manager of the chamber of commerce, says this is not enough. "We do not agree with a moratorium on hotels on Seven Mile Beach alone," he says. "Other hotels in other places will also strain the infrastructure and worsen the labour shortage.

A three-year moratorium on hotel construction on Seven Mile Beach aimed to ease the strain on facilities

"Planning regulations and guidelines need to be revised and developers must be made to maintain architectural integrity. If we grow as we are growing now we will need significant investment in infrastructure," he adds.

Miss Ballard observes it was only in the last five years that it became apparent that the rapid development had outpaced infrastructure. "Electrical services have been able to keep up, and water is being handled well by desalination plants. But the problem with the road network is the most severe."

She is worried about moves to encourage growth in other parts of the island without adequate infrastructure being installed.

Mr Rudyard Robinson, the government's economist, says the problem goes deep. "Growth at current levels cannot be sustained because of the level of available infrastructure," he argues. "But Caymanians see planning as a dirty word. There is no active interest in Cayman in planning at the macro level."

FINANCIAL SERVICES

Secrets of success

Growing financial sophistication is outlined by Richard Donkin

WHILE GRAND Cayman is best known as a banking centre, its other financial services, including trust company formation, captive insurance and even a small ship registry, demonstrate the increasing sophistication of this financial community.

More than 22,000 companies are now registered in George Town. Many are companies held by family trust in corporations worldwide. Others are subsidiaries or holding companies. Many are held for channelling profits out of sight of the taxman.

Another important reason for offshore trusts or bank accounts is political instability in the client's own country.

One of the key factors in their establishment is secrecy. Clients want secrecy – bankers and lawyers prefer to say "confidentiality" – for reasons ranging from wanting to hide income from a spouse, to the president of a banana republic wanting to hide kickbacks.

The use of nominee shareholders and bearer shares can provide an almost impenetrable shield against investigators. One of the few improvements suggested in the Gallagher report (see Legislative Background, left) was that a provision within the Companies Act to allow bearer shares for exempted companies should be scrapped. The idea fell on stony ground.

Bearer shares allow individuals to register a company, then take away the share certificates which they keep or dispose of as they wish. They can prove particularly frustrating to attempts to trace a company's owners.

Mr Bill Walker, one of the most experienced and respected lawyers on the Caymans, whose law practice, W S Walker and Company, has been handling trust company business for 26 years, says: "I always insist on keeping the bearer shares in my safe, but other companies allow people to take them away."

Cayman, with 360 offshore insurance licences in 1989, is the world's second largest domicile for captive insurance after Bermuda, indeed because of Bermuda. When Bermuda was taking so much captive work it could not ingest any more, the Caymans stepped in to pick over the leftovers.

Most of the Cayman business initially involved establishing captives for doctors' groups insuring against medical malpractice claims. Bermuda had shown less interest in malpractice captives, favouring those established by the large multinational corporations.

Bermuda has re-entered the captive malpractice market, which has affected Cayman business, although most of its resident clients appear to be staying loyal to the Cayman jurisdiction which employs a simpler law on captive insurance.

The soft insurance market in the US and the adoption of laws in a number of US states allowing the formation of captive insurance companies is beginning to eat into a formerly steadily increasing business for Grand Cayman.

The number of insurance licences issued in the Caymans fell for the second year running last year after rising steadily between 1981 and 1987. Fewer offshore licences have been issued in the past two years indicating that the business has probably reached saturation point.

Mutual Funds have been identified as one of the large growth areas in the Cayman financial community. Mr Chris Johnson, a partner at Coopers and Lybrand, estimates that between 200 and 300 mutual funds have been established on Grand Cayman.

He warns, however, that accountants are becoming worried that, without regulation of the funds, the island could leave itself exposed to the activities of companies such as Barlow Clowes.

LEGISLATIVE BACKGROUND: by Richard Donkin

How a framework evolved

THE ARRIVAL last year of Mr Rodney Gallagher, a director of Coopers and Lybrand, dressed for business, carrying a briefcase, and intent upon examining the Cayman Islands as part of a British Government survey of offshore financial services in the Caribbean dependent territories, was viewed with some mistrust, if not outright resentment in George Town.

The Caymans had suffered from a bad press in the early 1980s, and deservedly so. Dozens of Cayman-registered companies and bank accounts featured in US investigations into money laundering, illegal secretion of profits or tax evasion.

The islands needed to put their house in order while retaining the core of confidentiality which they felt was necessary in order to survive as an offshore haven.

That they achieved some success in this is reflected in the opening remarks of Mr Gallagher's report, published in January: "The Cayman islands are an example for all in regard to the efforts made to introduce sensible and relevant procedures for regulation and supervising of the off-shore sector."

He continued: "In many ways Cayman legislation in banking, insurance and company management represents a 'model' legislation which many other off-shore locations for financial services have indeed followed".

The Cayman Islands' development as an offshore centre began with its break with Jamaica nearly 30 years ago. For three years before Jamaica's independence in 1962, the Caymans debated whether to retain links with Jamaica or to become a crown colony of the UK. They opted finally to become a dependent territory within the British Commonwealth.

The framework for development as a financial centre began to be established as early as 1961 when it passed legislation for the formation and organisation of companies. Five years later Cayman started to lay the legislative foundation for the financial community.

First, the Caymans withdrew from double taxation treaties agreed between Jamaica and other jurisdictions to which the islands had been a party. Under the treaties, Cayman had been required to provide financial information on demand to other treaty countries, particularly the US, which wanted to keep a sharp eye out for nationals seeking to avoid paying tax.

The Banks and Trust Companies Regulations, the Trust Law and a new Exchange Control Regulation law in 1966 provided scope for the movement of funds by foreign investors.

Grand Cayman began to blossom as a tax haven. It was increasingly attractive to Americans eager to hide money from the taxman. But the US Inland Revenue Service followed on the heels of the tax dodgers. Subpoenas were even served at US airports on American or Caymanian citizens about to leave for the Islands.

The government moved to stop the US intervention in 1976 with the introduction of the Confidential Relationships (Preservation) Law which made disclosure of information to third parties by banks or government officials a serious crime punishable by imprisonment or a fine. But what had been intended as an extra layer to veil Cayman companies from outside scrutiny was interpreted as a money launderers' charter by those who advised drug barons where their profits could be safely hidden.

"People used to come here with their suitcases full of money. We thought it was because we were a tax haven. It really didn't dawn on us that some of it was drugs money being moved around," says Mr Vassel Johnson, a former finance secretary.

The years of 1983 and 1984 saw the islands under increasing pressure to co-operate in laundering investigations. The confidentiality law was sorely tested in 1983 when the Bank of Nova Scotia was caught between the powers of two jurisdictions. Significantly, it chose to defy the more powerful US, rather than break Caymanian law. The US subpoenaed the bank to provide information in connection with marijuana smuggling in Florida and the channelling of proceeds into Cayman Islands accounts, in addition to a number of cases of tax evasion.

The bank's US subsidiary was fined $25,000 a day when it failed to do so. The bank had pointed out that under Cayman law it could release the information if the US were to prepare an affidavit for the Caymans Grand Court showing how justice would be served if the documents were passed over. The US refused in spite of Canadian, Cayman and British government protests at the application of US law in an overseas territory.

Some 40 subpoenas later, with a fine amounting to $1.8m, the bank surrendered the information. The case left a bitter residue in the Cayman Islands, which remain deeply suspicious of US inquiries into its affairs.

The case also underlined the need for Cayman to address drug money laundering and in 1984 it signed a narcotics agreement with the US under which the Cayman authorities agreed to allow specific investigations and sanction acquisition of documentary evidence.

The Cayman authorities have so far helped in about 70 cases. Some 12 inquiries are currently under way.

The agreement paved the way for negotiations on a Mutual Assistance Treaty signed in July 1986 and ratified this year. Mr Johnson says the treaty has provided positive advantages in frightening away drug money while also reassuring those who simply want to use the Caymans as a means of avoiding tax: "We stated quite clearly that inquiries about income or direct tax could not be accommodated here since we have no tax treaty and non-payment of tax is not regarded as an offence. That had the effect of preventing fishing expeditions on tax matters."

TOURISM: a vital role outlined by Canute James

Increasingly popular port of call

BY THE end of December just over 620,000 tourists will have visited the Cayman Islands during this year. That is 23 times the size of the resident population of the islands.

There is little indication that the islands are in danger of being overrun by tourists, although there is concern about the ability of the infrastructure and support services, including labour, to deal with ever increasing visitor arrivals.

Unlike its neighbouring rival resorts, the Cayman Islands do not offer casinos and night clubs. "We offer relaxation for people who want to get away from it all," says Mr Norman Bodden, the government member responsible for tourism, aviation and trade.

Tourism is important to the Cayman economy. Two thirds of the 614,000 visitors to the islands last year arrived on cruise ships, the others by air. They spent CI$144m – a figure which helped offset a merchandise deficit of CI$213.5m on a volume of CI$217.7m. The administrators seem confident that the growth will continue, in spite of a few likely domestic and external problems.

The rapid expansion of tourism has strained the infrastructure (see Property, on Page 3). Further expansion of tourism will increase demand for labour, most of which will have to be imported.

Mr Bodden, however, believes that there is still room for growth. "Except for 1987, growth has been at around ten per cent per year," he explains. "We can sustain this growth for several years to come. Hotel occupancy averages 70 per cent, so there is room for expansion without undue stress on the infrastructure.

"However, we do not want growth at a rate which will damage the quality of the service, because we do not want to lose our market share. If there is an increase of between seven per cent and ten per cent annually, I will be happy."

The industry benefits also from the fact that the Cayman Islands do not have the chronic social problems of many of its neighbours and competitors. "Visitors here are safe," says Mr Alan Ratcliffe, the commissioner of police.

But there are aspects of its tourist industry which the Cayman Islands administration cannot control. Over 80 per cent of the tourists are from the US and the performance of the US economy is viewed with more than passing interest. Indications of a slowdown in the US economy in the last quarter of this year promise a cut in the volume of visitors.

"Slowdowns in the US economy do not affect Cayman Islands tourism very much," says Mr Thomas Jefferson, the financial secretary. "There is a slight lag, but what helps the Cayman Islands is that we are catering for the upper and middle income tourists, so a recession does not necessarily affect their travel plans."

Mr Bodden too says that the type of tourist visiting the Cayman Islands offers some protection from the vagaries of the US economy. "If the US sneezes, we catch a cold. We are worried about the US economy and all our plans are based on the state of the US economy.

However, he adds: "We have traditionally targeted the middle and top income bracket. Our marketing campaign is aimed at those in the US$100,000 per year income bracket. We have not gone in substantially for the charter market, and charters now account for just over 17 per cent of our business."

In spite of this, there is apparently some concern about the type of tourist visiting the Cayman Islands. Visitors are sometimes subject to lengthy and intensive searches and interrogations at ports of entry. Mr Bodden says that this has not deterred prospective visitors, and that there have been few complaints.

While Cayman Islands tourism has made much of its proximity to the US market, hoteliers and government officials say the industry has also been helped by the Islands' status as a crown colony of the UK. It gives an assurance of safety and stability, they say.

In this fickle industry, the administrators of Cayman tourism are aware of the possibility of losing market share to resorts such as Jamaica, Barbados and Cancun, all of which Mr Bodden describes as the "main competition".

The rapid expansion in hotel capacity in the Dominican Republic and increasing attention to tourism in Cuba threaten potential alternatives for tourists seeking a Caribbean holiday.

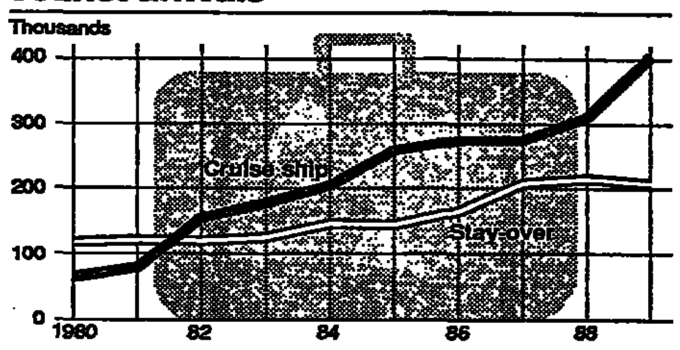
"The type and quality of service we offer should protect us from competition from places such as Cuba and the Dominican Republic," says Mr Bodden. "The opening up of Cuba and expansion in the Dominican Republic will affect some countries, but we are English-speaking with a large market in the US, which is English-speaking."

Nonetheless, the Islands' administration is attempting to broaden its market. Only five per cent of tourists come from Europe, but the volume in July of this year was 25 per cent higher than July 1989. The Cayman Islands are also being heavily promoted in Japan.

The government claims also that the tourist industry is supported by Cayman Airways, which it owns, and which operates a fleet of two Boeing 737s. A subsidy of CI$1m this year to the airline, Mr Bodden says, must be seen against the role the airline plays in the tourist industry.

Over 620,000 tourists will have visited the Caymans this year

Tourist arrivals



BANKING: Richard Donkin on the attractions

Made to feel welcome

THE FIRST statistic the Cayman Islands banking fraternity likes to wheel out is that George Town is home to 540 international banks. The first question a newcomer is likely to ask is "Where are they?".

Most of the modern square blocks in what would otherwise be a tiny fishing village are occupied by banks, lawyers and accountants, but only 70 banks have a physical presence with offices and staff. Eight of them carry out local business. Most of the others are plastic name tabs on a wall. Their business is handled by one of the banks licensed to hold local accounts.

The second statistic is just as impressive as the first. The balance sheet total of all the Cayman banks at the end of 1989 was $350bn, making it one of the world's biggest bank booking centres. In terms of total banks deposits in mid-1988 it was fifth in the world behind the UK, Japan, the US and France.

There is no disputing the importance of Cayman for international banking. Some 46 of the 50 largest banks, including the top 10 Japanese banks, have a presence there. In 1989 35 banks had A-licences, allowing them to undertake local business, and 503 had B-licences, which allow banking and trust business outside the Caymans.

Banks were drawn here because Cayman could provide one of the most stable environments in the Caribbean, with proximity to the US mainland and excellent communications.

The first real surge reflected the fall-out of banks from the Bahamas when they were granted independence in 1973. The banks feared political instability and sought refuge in the welcoming arms of shrewd Cayman Islanders, particularly those of Jamaican-born Mr Vassel Johnson, a former financial secretary of the Executive Council. He constantly reminds islanders of the need to provide a comfortable environment for the financial community.

"If we were to erect a statue of anyone to commemorate his contribution to the banking community here, it should be to Sir Lynden Pindling, the Bahamas prime minister," says Mr Johnson. Part of the appeal for individual bank clients are the Islands' zero tax status and the well constructed defences against extra-territorial tax inquiries. These guarantee a high degree of protection for anyone avoiding or evading taxes.

As one resident puts it: "We don't even recognise the concept of income tax here. Tax is a four letter word, a bogey word. We don't like to use it and prefer to talk of revenue enhancement where we do impose hidden taxes."

Excepting the tax advantages, the prime reason that many banks choose to reside in George Town, says Mrs Jennifer Dilbert, deputy inspector of banks and trusts, is to allow New York branches to raise funds in the Cayman Islands, thereby avoiding the need to meet reserve asset requirements in the US.

The US Federal Reserve chooses to allow it to continue, but: "If they decided not to allow it, we would loose 300 banks. That is what makes the business so fickle. It is so dependent on outside factors," says Mrs Dilbert. An example was the desertion from Grand Cayman of most of the Danish banks when the Danes changed their exchange controls.

While banking has Cayman's highest sectoral growth rate, it still trails well behind tourism in its direct contribution to the economy. Indirectly, however, the contribution is far greater. Banking employed 1,100 people in 1988, 851 of them Caymanians, the third largest employer behind the government and tourism.

It also lends the islands a wealth of expertise and helps to draw in high net worth individuals, who often discover the island for the first time when they come out of curiosity to collect their bearer shares or see their company name on a wall.

Conscious that bank and trust company confidentiality has been exploited by criminals in the past, the Cayman Islands Bankers' Association has introduced a code of conduct for members. Mr Nicholas Duggan, the association president, and managing director of the Bank of Butterfield, says: "The code says 'know your customer'. That is our Achilles heel, no question about it." The code also puts a US$10,000 cash limit on the amount it will accept from a customer who is not in the business of handling cash.

The bank inspectorate, established 10 years ago can afford these days to take a much tougher approach in supervising banks than it used to. While some US$25bn is thought to have left Panama after the banking crisis under General Manual Noriega in 1988, only US$2bn came to the Cayman Islands when two US banks moved their Panama funds there. "We did not take any Panama banks. We got applications but we didn't feel they were up to our standards," says Mrs Dilbert. "A lot of banks come here because it has a clean image and because it is well supervised."

The days when private individuals could easily establish personal banks in the Caymans also appear to be over. "It is not worth it to us," says Mrs Dilbert. The comment is underlined by Mr Chris Johnson, a partner at Coopers and Lybrand: "Cayman is looking at the quality end of the banking sector today."

POLITICS: change is coming, by Canute James

Consensus may give way to party system

WHEN A commission from the Foreign and Commonwealth Office begins a review of the Cayman Islands' constitution in the new year, one fundamental political issue will not be addressed.

"There will be no question of severing ties with the UK," says Mr Benson Ebanks, the government member responsible for education, recreation and culture. "Caymanians know that our stock in trade is in the Union Jack with the Caymanian flag in the corner."

Mr McKeeva Bush, a leader of the backbenchers in the legislative assembly whose revolt over various issues including the annual budget last year led to the constitutional review, says there is no support for political independence.

Caymanians agree that much of the islands' economic health and the growth of its financial services sector and tourism can be attributed to its status as a crown colony. "A fundamental change in relations with Britain is highly unlikely," says Mr Alan Scott, the governor.

The Cayman Islands were made a dependency of Jamaica in 1863, but chose crown colony status in 1962 after Jamaica became independent. Under a constitution implemented in 1972, increased responsibility for administration was placed in the hands of elected representatives.

Of the 12 elected representatives in the legislative assembly, four are chosen to be on the executive council with three official members – the financial secretary, the attorney general and the administrative secretary.

The eight elected members of the legislative assembly – the backbenchers – have traditionally supported the government on everything. But this consensus was shattered last year when the backbenchers behaved more like a parliamentary opposition.

They managed to get the traffic regulations amended to allow high speed motor cycles on the islands. They debated a change in the fleet of the government-owned airline, and filibustered with some success when the budget was debated. The rebellion forced a change in the composition of the finance committee, which was made up of the 12 elected members with the financial secretary as chairman. Two official members were added.

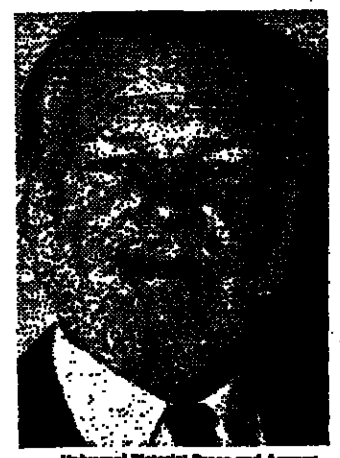
To some Caymanians, these seemingly innocuous developments represented a dramatic change in the island's politics. It was, however, a different but related development which indicated that some constitutional changes were needed.

"The backbenchers tried to get a change in the constitution to allow seven members of the legislative council the power to remove the executive council," says Mr Norman Bodden, the government member responsible for tourism, aviation and trade. "That would mean a simple majority, against the present system where a two thirds majority, or eight, is needed."

This led the government to ask for a review of the constitution to see what changes, if any, should be made.

Mr Bush says, however, that the government has not acted properly. "We had a crisis in government. The government should have resigned when it was clear it was in the minority position. We follow a Westminster model in which the majority rules."

This is countered by Mr Ebanks: "We have not had a political crisis, but there has been a lot of misunderstanding on the part of the backbenchers. Suddenly they realised that they had political muscle and they decided to flex it."



Universal Pictorial Press and Agency

Governor Alan Scott

Although they have high economic sophistication, the political culture of the Cayman Islands is parochial, understandably conservative and, after years of consensus politics, it is based more on personalities than on issues.

Each elected member represents, on average, fewer than 1,000 voters. There are no political parties, but loose alliances based on personalities.

"There are no political divisions in terms of left and right," explains Mr Peter Tomkins, managing director of the Cayman National Bank.

But the emergence of issues as the basis of parliamentary debate, and indications of political polarisation, have suggested the imminence of party politics.

Mr Bodden's view is that political parties could exacerbate political divisions, particularly in such a small place. "Eventually, maybe for the 1992 election, we will see the emergence of stronger alignments than before, with a slate of candidates."

Mr Bush, on the other hand, has concluded that the time is ripe. "Political parties are created by polarisation, and we now have the polarisation, but not the parties. I believe in the party system, and it works. If parties are being created, I will have to speak to my people with a view to creating one."

Government members and backbenchers differ over the changes they expect.

"I see only cosmetic changes, but nothing fundamental," says Mr Ebanks. "But even cosmetics will affect the fundamental workings of the government. Members will be called ministers, and I see a chief minister and a cabinet."

The backbenchers are hoping for an increase in the size of the executive council to spread responsibility for the management of Caymanian affairs. "We would also like to see a bill of rights, and to have the office of speaker filled by someone from outside the house," says Mr Bush. "But we will not agree to any constitutional change without a general election after the commission has concluded its report."

Caymanian politicians have been pleasingly free of corruption. "Conflicts of interest are impossible to avoid completely," says Mr Tomkins. "But . . . there is no need to cross any official's palm." Mr Bill Walker, senior partner of W S Walker and Company, one of the leading law firms in the Cayman Islands, says this has contributed to the healthy economy.

It is highly unlikely, however, that Caymanian politics will return quickly to seamless assembly sessions which preceded the backbenchers' revolt. "What we see here happens in every parliament in the world, but in our case it appears more dramatic because we are a small society," explains Mr Mario Ebanks, manager of the chamber of commerce. "Young, aggressive, educated politicians are going against older, more established ones."

La Tempête

THEATRE DES BOUFFES DU NORD, PARIS

"La mer la change /en un objet riche et étrange". Shakespeare in French is still Shakespeare. Minus the original poetry, Peter Brook's new Paris production (on tour at Glasgow's Tramway next week) shows how much else there is to intoxicate and delight. The outlines are bolder, the simple fable works its magic. Brook's theme is the illusions of life; character by character, we see masks go.

Brook's cavernous Bouffes du Nord theatre, with its hollowed out arches and peeling paint, has the feel of a classical ruin, a place of myth and legend. Here Prospero's kingdom is relocated culturally as well as linguistically: French effervescence combined with multicultural strangeness and splendour.

Turning the "colonial" reading of the play on its head, Brook casts the black African actor Sotigui Kouyaté as Prospero; the Indian actress Shantala Malhar-Shivalingappa as Miranda, and David Bennent as a small, white boyish Caliban. Bennent played Oskar who wouldn't grow up in the film of *The Tin Drum;* he brings the same concentrated destructiveness to his role as the outsider with the ground-eye view of things here. Gnarled into a paper box (a resident of cardboard city?) like a wound-down toy, he springs into contorted life as a cross between a child and a dog: barking, licking, biting, lapping up wine until it spills out of him, eyes rolling. No pathos here; only the manic fantasy of demolition.

By contrast the Mali actor Bakary Sangaré's fluttering staccato Ariel is a spirit whose human-ness thrills. All quivering desire, he enters bearing on his head a model ship with which he demonstrates how he whipped up the waves; he flaps his arms like wings, trips along on his toes, click-clicks his tongue and capers up the theatre wall. In Harue Momoyama's specially composed songs, his longing for freedom breaks out in whoops and wails, then in coquettish persuasion. This is an Ariel who bubbles over as he plays his games but intimates their seriousness by throwaway gestures and glances of ironic sympathy.

With Ariel so pivotal a role, there's a lightness of being about this production which is more reminiscent of dance than drama. On an empty sandpit stage, people become props. Green spirits with plants growing out of their flip-flops create an ever-changing island: try to catch them and they're gone, like the tinsel butterflies on the branches held out to Ferdinand and then maddeningly withdrawn. Another time, a boat is mimed into existence with a bamboo rod. Peering above it, the face of Japanese courtier Gonzalo (Yoshi Oida, a beautifully moving performance) changes from politeness to surprise to alarm as the rod is raised out of his reach and he collapses crying for a dry death.

Using a host of unexpected techniques – African and Japanese dances, Indian sitar music, mime and acrobatics – and black actors like Kouyaté and Sangaré who are confidantly at ease with the conjurer part of their roles, Brook makes magic seem a natural part of the action of the play. Like his RSC *Midsummer Night's Dream* in 1970, this production works like a child's box of enchantments.

It's a small price to pay, but the loser in all this is Sotigui Kouyaté's Prospero, whose personal battle with bitterness and forgiveness is swallowed up in his role as magician. Kouyaté has a lean, haunted face and an awesome stage presence but his inner calm comes from resignation not from resolved tensions. Self-effacing, his emotional energy seems to go in leading others to a freedom of the mind.

This is done movingly when he reunites Alfonso and Ferdinand and with brilliant playfulness when Trinculo (Bruce Myers), adorning himself with velvet robes and gloves and hats, looks across the stage to see Ariel kitted out in the same gear, over-acting the same kingly gestures: a white-black mirror image to startle the buffoon into self-knowledge. What we have here is Prospero the psychoanalyst rather than Prospero the dramatist in control of his own part. When he comes to throw off his art and face mortality at last, we are uneasy on his behalf.

Bakary Sangaré as Ariel

Jackie Wullschlager

Trio Fontenay

WIGMORE HALL

They look barely old enough to have been a settled ensemble for a decade, but the Fontenay team can look forward to a long international career. They are a piano trio; though the strings – violinist Michael Kücke and cellist Niklas Schmidt – boast plenty of character and intelligence, it is the piano who leads, as is often the way. Haydn's piano trios, after all, were never generous to the strings, and while later composers learned to treat the medium more even-handedly the piano itself developed more and more horsepower.

Wolf Harden does not overplay his hand (though there were some steely sforzandi on Tuesday), and when accompanying he is a scrupulous partner. In the Fontenay's Wigmore programme, in fact, only the early Brahms Trio in B involved much "accompanying", since both Charles Ives and Dvorák, in his "Dumky" Trio, wrote as for three distinct individuals. Ives particularly, in his Piano Trio of 1904-5: everybody is kept busy in the foreground, jostling for space as the fractured popular tunes come thicker and faster. Here and there the Fontenay delivery was a bit straight-faced for Ives's jokes, but as straight music they played it for all it is worth – which is a lot; this being his major contribution to the chamber repertoire – and made a stirring effect.

Such slight reservations as I had about their Dvorák and Brahms, excellent performances both, resulted from the searching intensity with which they address their music. Dvorák's sequence of "dumky" gleamed with all the right contrasts, and his textural inventions were sparklingly realised. All one missed was some relief, some stretches of that relaxed, sunny breadth which is the peculiar gift of Czech music. The best Czech trios regularly reveal it in this Trio; these young Germans don't unbutton easily.

In Brahms the Fontenay were deliberately searching, determined to find the sharpest profile for every idea. It was rewarding to hear – but for early Brahms (however much revised later) it was also excessively measured. Some of the characteristic élan was missing, though they brought off the Adagio exquisitely. In the quicker music – their "Allegro con brio" was downright maestoso – there was nothing reckless, and the middle-Finale risked becoming staid. Which is only to say: these are musicians of high seriousness and skill, splendid to hear, who can learn to be less unrelenting as they mature.

David Murray

CINEMA

Mobsters on a carousel of crime

Have you ever been pulled along a street by an over-enthusiastic dog who supposed that his lead was for leading you rather than vice versa? Then you will know what watching Martin Scorsese's *GoodFellas* is like. Exciting, frightening, ineluctable: and as one would expect from the director of *Taxi Driver* and *Raging Bull*, very upsetting to the expectations.

We begin with a "dead" body making noises in a car boot and being savagely terminated with knife and gun. We follow the story of the three terminators through 2½ blazing hours of action: they are senior mobsters Robert De Niro and Joe Pesci and youngster-narrator Ray Liotta. And we end in an accelerando of drugs, intrigue and violence, as if the carousel of crime will stop only if someone throws the spanner of the law into the whole machinery of East Coast American society.

After the stormy welcome the world gave *The Last Temptation Of Christ*, Scorsese's honest attempt to humanise the gospels, it is as if the director has said "No more Mr Nice Guy." Based on Nicholas Pileggi's best-selling Mafia exposé *Wiseguy*, the film thrusts us nose-first into the world of Cosa Nostra. Recruited into the mob after running youthful errands for a beefy Mr Big (Paul Sorvino), young Henry Hill (Liotta) becomes our Jewish-Italian hero-chronicler. He watches with awed fascination as an ethnic minority in little old Brooklyn acts like the Borgias of yore in little old Rome.

There is Mr Sorvino, a fat cat who tyrannises the neighbourhood while barely moving from his dinner bowl. There is Robert De Niro, friendly, steel-grey and psychopathic. And most memorably there is Joe Pesci, killer and braggart, who behaves like a vat of nitro-glycerine asking every passer-by to shake him. Pesci took second place to De Niro in *Raging Bull* but here he is a scene-stealing phenomenon. A squat, snarling Punchinello, he is not content with the average Mafia regimen of shooting and stabbing known transgressors. He baits or insults almost anyone in sight. And he ceases to be a laughing matter when he shoots in the foot a young barman and later shoots him dead when the plaster-footed youngster dares to complain.

The scene is typical of *GoodFellas*. Scorsese drags us through the scalding plot, co-scripted by him and Pileggi, without pausing once to bathe our foreheads in either easy comedy or facile moralising. He forces the filmgoer to implicate himself with the characters. Speed and excitement are great moral dispossessors. Just as we leave our stomachs behind on a rollercoaster, we keep leaving our consciences behind here. We are horribly enthralled by the ease with which a Mafia offender is beaten to death with fists and booted feet; or by the primeval sexism whereby the "family" keeps its women as decorative chattels, to be used and abused at will. (Only Lorraine Bracco as Liotta's wife rebels, a tearful tornado running amok in her Ideal Home).

Most of all, we are caught up in the ease with which the business logistics of crime elbow out humane and ethical perspectives. In Liotta's final day of reckoning, before he bows to the law and opts for confession and a witness protection scheme, we follow him hour by hour, minute by minute, as he hurtles from drug pick-up to drug drop-off, from tryst to shady tryst. His eyes blacken with exhaustion even as we watch, and his beloved Bolognese sauce simmers on the dinner stove as he dashes home for brief bulletins to the wife and friends on how to keep it stirred.

Ray Liotta, Robert De Niro, Paul Sorvino and Joe Pesci in Martin Scorsese's 'GoodFellas'

Has any movie better captured the famed banality of evil? When the human treadmill operates at full speed, a saucepan of spaghetti sauce seems on the same level of urgency as a murder or shipment of killer drugs. (The fellowship of crime and food is also caustically celebrated when Sorvino, Pesci and De Niro land a brief jail-term and do all their own cooking. "We owned the joint" crows Liotta's voice-over as sauces bubble and pastas steam).

In the great Hollywood Mafia symphony, *GoodFellas* is a scherzo to the largo of *The Godfather*. Scorsese fills the movie with inspired moments of visual shorthand. Characters walk along a street, freeze-frame, then continue walking. A single camera movement, swooping or soaring, makes more story-points than many a director would make in six shots. This is Hell on Earth as a perpetuum mobile. In the Dante-esque lineage of Mafia movies, *GoodFellas* is the inner circle of human sin, defying nature's laws by moving faster than the outer circles.

★

Next to *Good Fellas*, with its passionate refusal to moralise, watching Andrzej Wajda's *Korczak* is like being handcuffed by your parents and driven by the non-scenic route to Sunday School. As soon as I heard what the great Polish director's new film was about – he says it will be his last – I groaned inwardly. Dr Janusz Korczak, real name Henryk Goldszmit, was a pioneer Jewish paediatrician who succoured some 200 orphans of the Warsaw ghetto during the second world war, before he and they were despatched to the gas ovens at Treblinka.

Heaven knows it is a worthy subject. But we quake in alarm at the possibilities for piety, and we quake even more as those possibilities are realised. Filmed in penitential monochrome, *Korczak* trudges on through the radiant stations of martyrdom. First stop: Exposition ("Everyone says that war in Europe is inevitable . . . "). Second stop:

GOODFELLAS
Martin Scorsese

KORCZAK
Andrzey Wajda

BETSY'S WEDDING
Alan Alda

A SHOCK TO THE SYSTEM
Jan Egleson

Entry of the Nazis plus comic-strip vocabulary ("Polish swine!"). Third stop: Scenes of the good doctor telling the Huns how to behave. ("There are human laws and divine laws"). Fourth stop: Fate crunching into view, with its rolling stock of cattle-trucks and close-ups of faces glistening with hope and despair.

Historical tragedy, like any other genre, must surprise and excite. You cannot simply lay out events with the luminous solemnity of a lantern-slide lecture and expect audiences to respond. In *Ashes And Diamonds* or *Danton* or *Man Of Marble*, Wajda treated history as a living thing: it thrashed about under his gaze like a monster fighting against capture. In *Korczak* the monster is captured, bound, tranquillised and semi-dead. Not even actor Wojtak Posniak (Wajda's one-time Robespierre) can inject a convincing twitch into the beast, although his craggy forehead and burning eyes do their best. This is art as embalmment.

★

Both *Betsy's Wedding* and *A Shock To The System* are amiable Hollywood misfires. The first, written and directed by Alan Alda, asks "Wouldn't it be funny to gather together three socially incompatible families under one New England wedding tent, for the marriage of a Jewish-Italian girl (Molly Ringwald) to a white Anglo-Saxon yuppie?"

Yes, Mr Alda, it might be funny. You, as Miss Ringwald's father, certainly try to make it so. Your familiar persona of a duck trying to turn into a giraffe always delights me. But why did you not provide better roles and lines for both yourself and your cast, which includes Madeline Kahn, Joe Pesci, Burt Young and Ally Sheedy? And what happened to the stiletto-sharp social satire of your first and best film, *The Four Seasons*?

In *A Shock To The System* businessman Michael Caine fails to get job promotion and so electrocutes his wife in the cellar. There are some intervening causal stages here, but they can be disregarded. So, broadly speaking, can the movie. As directed by one Jan Egleson, it resembles an episode of *Columbo* in which the small, squinting detective has unaccountably failed to turn up and the cardboard supporting characters find they must shoulder the whole plot. Elizabeth McGovern, Peter Riegert and Will Patton co-star; Andrew Klavan scripted; and Mr Caine proves it is possible to live and work in New England without ever being asked why you are speaking with a Cockney accent.

Nigel Andrews

Lyons Biennale de la Danse

The three-week Lyons Biennale de la Danse this year was called "An American Story." The young Martha Graham, jumping and decked in the American flag, was on the posters all over town. Most of the leading American modern dance companies visited. Balanchine's choreography was represented by Miami City Ballet.

Clement Crisp and I have already reported on appearances by the Martha Graham, Merce Cunningham and Paul Taylor companies. I also took the opportunity to see two dissimilar companies:those founded by choreographers Alvin Ailey and Lucinda Childs.

The Alvin Ailey Company, one of the world's leading exponents of black dance, tackles a range of styles – jazz, modern, rock – and half the Lyons programme I caught was in non-Ailey choreography. In Lar Lubovitch's *North Star*, they are better – more full-toned, more exact – than Lubovitch's own company. Talley Beatty's *The Stack-Up*,however, is a crass lump of rock verismo, encouraging them to play a range of modern stereotypes (the drug-taker, the pusher . . .). What of Ailey's own choreography? His *Hidden Rites* (1973) I found wearingly heavy. When the movements weren't big (not often), the dynamics were. But in the 1962 Ailey solo to Duke Ellington's *Reflections in D*, the veteran dancer Dudley Williams produced the lyric fluency I'd been hoping for. And grace, dignity, humanity to boot.

Lucinda Childs is currently making a work on the Rambert, but her company hasn't been seen here since the 1970s. At that time she was in the vanguard of post-modern minimalism, and the Lyons programme was of some late-1970s works I was especially keen to see. *Interior Drama* (1977) is in silence. It's for five dancers who walk, step and turn, together or part or in twos and threes. They maintain this, with remarkable precision, for several minutes at a fast speed. You applaud their sheer drill – but the dance content? Childs movement is so erect that the dancers seem to move no muscle between neck and hip, and not many above the ankle.

Childs was one of the first choreographers to work with composer Philip Glass, and some folk have always maintained that she's the only one on his wavelength. *Dance* (1979),three sections of which were showed in Lyons, certainly took me back to the period before Glass seemed trite and pop. Childs can match in dance the way Glass's music may consist wholly of short, incomplete phrases (between five and ten seconds long), or the way it recycles a few components in near-endless patterns, or its sudden addition of a new element of orchestration.

The triumph of *Dance* is its projection of a Sol Lewitt film of its original cast on a front gauze. So you see today's dancers live through film of the 1979 dancers, who may be giant-size or close-up or life-size. This is always absorbing as mixed-media theatre. The Lyons audience adored it. But how little those dancers *move*. They can turn and jump – but not bend or twist. And they're so up on their toes that it's a big deal when they bring their heels to the floor. And who are they? Childs's dancers are cogs in her machine,as like peas in her pod as she can make them.

Alastair Macaulay

ARTS GUIDE

October 19-25

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition has opened in London sending reviewers scurrying to explain the artist's double vision. Burlington House, Piccadilly (287 9579).

Hayward Gallery. Eduardo Chillida. Major retrospective of the Spanish sculptor (261 0127).

Paris

Carte musées et monuments sold in museums and metro stations enable visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles.

Galerie Maurice Garnier. Bernard Buffet – La Bretagne. In his unmistakable spiky hand-writing, the painter beloved by the Japanese, pays homage to Brittany's ports and beaches. 6, Ave Matignon (42256165). Closed Sun, Mon and lunchtimes.

Marmottan's Monets. For lovers of impressionism, the Musée Marmottan is a must. A charming town house set in greenery, it houses an important collection of paintings and drawings by Claude Monet and his friends. Monet's love of London is represented by the Houses of Parliament. In the last 20 years of Monet's life, his garden in Giverny became his great inspiration. In glowing colours and changing light he painted its Japanese bridge and weeping willows and, above all, the Nympheas – waterlilies on still water. Musée Marmottan, 2 rue Louis-Boilly, closed Mon.

Musée des Arts Decoratifs. Panoramic wallpapers. If a wealthy French bourgeois of the 19th century felt the need for change in his comfortable but somewhat boring life, a panoramic decor covering the walls of his salon would instantly transport him to an exotic scene. There was an endless choice of subjects and locations – Peru with lush palm trees, crusaders liberating Jerusalem or the 1830 barricades in Paris. 107, Rue de Rivoli (42603214), closed Mon, Tue.

Louvre. Euphronios. Some 60 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Euphronios and his friends of the Pioneers Group bring invention and originality to their representations of mythological subjects and scenes from everyday life. Open all days from 12 am to 10 pm, except Tuesdays. Ends Dec 31 (40205166).

Picasso Museum. The restored 17th century Hotel Sale, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cézanne and Douanier Rousseau. (42712521).

Musée Rodin. Delightful 18th century town house - Hotel Biron - contains the life work of Auguste Rodin, who opened the way for modern sculpture. In the gardens his Thinker broods, the Burghers of Calais trudge to their tragic destiny and Balzac defies time. Closed Tue.

Martigny

Fondation Pierre Gianadda. Modigliani. Some 50 oils, as many drawings and some sculptures form an important retrospective of the Italian-born artist living at the beginning of the century in the feverish atmosphere of Montparnasse and Montmartre. In contrast, the rather stylised two-dimensional portraits of his friends and of Jeanne Hebuterne, his last and tragic companion, embody perfect repose. (26 223978).

Brussels

Musée d'Ixelles. L'Impressionisme et le Fauvisme en Belgique is a major exhibition of Belgian painting from the 1880s to the 1920s. While several artists followed the lead of French impressionists and German expressionists, others such as Claus, Stobbaerts, Wouters have a distinct and increasingly valued style of their own. The finest show seen in Brussels for some time. Closed Mondays ends December 16.

Musées Royaux d'Art et d'Histoire. Inca-Peru an exhibition that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Monday, ends December 31.

Palais des Beaux-Arts. Five million years: the human adventure. Man's evolution shown through 200 archaeological artefacts and other exhibits. Daily, ends December 30.

Madrid

Fundacion Juan March. Cars, Andy Warhol's unfinished series of car drawings and paintings, commissioned by Daimler-Benz on the centenary of the invention of the automobile, are now on view at the foundation on loan from Daimler-Benz in Stuttgart. Ends January.

Barcelona

Museo Picasso. Homage to Jacqueline – between 1954 and 1970 Jacqueline Roque was a constant source of inspiration for Pablo Picasso, they married in 1958. The exhibition brings together some 150 works including portraits, paintings, sculptures, prints and pottery, in an important retrospective of the last 20 years of Picasso's artistic life and a homage to his favourite model. Ends January.

Rome

Palazzo Degli Esposizioni: Norman Rockwell. Oils, watercolours and sketches from the years 1915 to 1972 by a remarakable artist, who for over 40 years designed the front cover for the high-circulation Saturday Evening Post (over 3m copies in the early 1950s), whose name has become synonymous with an ultra-realistic style mixed with nostalgia. Ends November 11.

Venice

Palazzo Grassi. From Van Gogh to Picasso – from Kandinsky to Pollock. Opening with Picasso's 1931 Woman with Yellow Hair and closing with Fernand Leger's 1950 Builders with Rope, this exhibition provides a truly delightful canter through modern art from the late 1870s onwards. Included in the group of paintings lent by the Guggenheim in New York are 32 works from the remarkable Thannhauser collection, none of which have been back to Europe since they were bequeathed to the museum in 1940. Ends Dec 9.

Düsseldorf

Kunstmuseum, Ehrenhof 5. Conrad Felixmueller. Around 80 paintings, 80 watercolours, drawings, 40 prints as well as five plastics by the expressionist painter. Until October 28.

Hanover

Sprengel Museum. Kaethe Kollwitz (1867-1945). Eleven plastics, 70 paintings 70 prints of the politically radical artist are to be seen until October 28.

Berlin

Martin-Gropius-Bau, Stresemannstrasse 110. Bismarck's Prussia, Germany and Europe. This exhibition in Berlin will be the first organised by the German History Museum, with around 1,000 pieces on loan from 250 different museums from all over Europe and the US. Until November 25.

New York

Brooklyn Museum. From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter. Ends Jan 6.

Metropolitan Museum. Mexican art from pre-Columbian handicrafts to modern murals includes a majestic panorama with more than 300 works covering 30 centuries.

Washington

National Gallery. Artistic dividends of the end of the cold war continue with a comprehensive show of Suprematist Kasimir Malevich and his Soviet contemporaries with works never before lent by the Soviet Union. Ends Nov 4.

Chicago

Art Institute. One of Chicago's most noted conteporary artists returns home when Ed Paschke's travelling exhibit, which first appeared at the Pompidou Centre last year, arrives with 47 of the painter's day-glo portraits and landscapes.

Tokyo

Hara Museum. Hara Annual 10. Since its establishment 10 years ago, this museum has held an annual show of young and emerging Japanese artists – a good opportunity to observe new developments and directions in Japanese art. Opens September 26.

National Museum. Masterpieces of Japanese Art. This selection of 250 major works has been drawn together to mark the accession of the new emperor. It includes rarely seen pieces from the Shosoin Treasurehouse in Nara, the Horyuji Temple, the Imperial Household collection and elsewhere. Closed Mondays.

SALEROOM

Scandinavian disaster, but jewels do well

Sotheby's had a nasty hint in New York on Tuesday of just how deep the recession in the art market might turn out to be this season. Its first major auction of Scandinavian art to be held there was a disaster, with 86 per cent unsold.

There had been hopes of a record price of up to $5m for a painting of a stormy sea by Strindberg but in the event the total for the whole sale was just $1.5m (£777,000). The absence of the trade, and of the hammered speculators in this sector, killed off bidding. Fortunately there is still a market for well rounded nudes by Anders Zorn and a 1918 example went on target for £282,550.

The general sale of 19th century European art fared almost as badly, with 56 per cent unsold. Here again dealers, sitting on unsold stock, were not bidding. Indeed many were trying to off-load stale goods. Orientalist works were one of the few bright areas and a portrait of a Bashi-Bazouk by Gérôme did well at £203,442. A Bouguereau nude was at top estimate, making £152,581.

In dramatic contrast Christie's sale of jewels in New York on the same day was its best ever in the US, totalling $31m (£16m), with only 8 per cent unsold. Presumably the very rich see jewels as a good hedge in hard times. The top price was the record $5.5m (£2.82m) paid by a private European buyer for a rare blue diamond, a stone of 19.41 carats set in a ring.

Christie's also did quite well in London yesterday, silver bringing in £974,050, with 19 per cent unsold, and travel and natural history books, £570,119 with 12 per cent bought in. A pair of George II three light candelabra made in 1744 by John Le Sage and engraved with the Royal arms (which suggests that they were either a gift from the King or Ambassadorial plate) was bought by the London dealers Koopman and S.J. Phillips for £198,000, slightly below estimate. A set of four George III two handled soup tureens and covers by Paul Storr beat its forecast at £41,800.

Among the books a contemporary coloured copy of Debrett's "Voyage pittoresque et historique au Brasil", with 153 plates, published in the 1830s, almost doubled its forecast at £60,500. A rare coloured copy of Lawson's "Scotland delineated", with 90 plates by Turner and David Roberts among others, sold for £52,800.

Antony Thorncroft

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Power failure in high-tech

THE European Community needs to take a hard look at its policies for electronics and information technology. The policies have not only failed in their principal aim of creating a stronger and more competitive European producer industry. They now risk retarding adjustment and distorting priorities in a sector of vital economic importance.

Since the early 1980s, European governments have responded to rising concerns about "technology lag" by launching large-scale collaboration programmes involving European companies and universities. These programmes, most of which receive generous EC or national subsidies, have three main objectives: fostering cross-border links between European national champion companies, speeding up product innovation and safeguarding independent European capacity in core technologies such as microelectronics.

Only the first of these goals has been achieved. EC programmes such as Esprit have encouraged exchanges of technical information between European electronics companies and facilitated co-operation on standards. However, there are serious doubts, even among the companies involved, about how much of value they have contributed to innovation. For many companies, the attraction of such schemes appears to have much to do with the cheap finance and privileged access to policy-making which they offer.

Self-appointed club

More worryingly, EC-sponsored collaboration has acquired some unhealthy characteristics of sectoral intervention schemes pursued unsuccessfully by European governments in the past. It is run largely for – and by – a self-appointed club of larger producers in close liaison with European Commission officials. The interests of consumers of electronics products, who account for a far higher proportion of the EC's economic output, have been consistently disregarded.

In the name of safeguarding a "strategic" industry, the Commission has repeatedly granted trade protection for electronic products from chips to videorecorders. But the resulting higher prices and reduced competition have not been matched by an improvement in the performance of European manufacturers. The EC's electronics trade deficit has widened, much of the industry is barely profitable or in loss and Philips of the Netherlands, an inveterate petitioner for trade protection, is in a financial crisis.

Dwindling share

Propping up uncompetitive European-owned producers is as pointless in electronics as in mature sectors such as steel or shipbuilding. All the more so as those producers account for a dwindling share of European output, because of the rapid expansion of US- and Japanese-owned manufacturing capacity in the EC. The goal of European technological independence is rendered still less realistic by European companies' growing reliance on links with overseas competitors and by the takeover of ICL, Britain's largest computer maker, by Fujitsu of Japan.

EC policies based on prescribing more of the same are not the answer. A new approach is needed, which recognises that the most effective stimulus to innovation and industrial performance is a vigorous and sophisticated European market. The main emphasis should be on removing obstacles to international competition, particularly in telecommunications, and on vigilant enforcement of competition policy.

The Community may also be able to help by supporting basic research and encouraging the application of electronics across user industries. However, the purpose of such initiatives should be to improve the overall educational and scientific infrastructure and the quality of demand, not to fabricate captive orders for selected European-owned suppliers.

Meanwhile the European Parliament, which is debating the next phase of Esprit, could perform a valuable public service by conducting a searching audit of what EC policies have achieved to date and considering whether the substantial resources they consume might be put to more productive uses.

The tide of UK spending

WITH £250m for child benefit here, £500m for education there, pretty soon you are talking real money, perhaps £10bn of it in extra departmental spending. None the less, the short term picture is not too serious, despite the concessions that the Chancellor will soon reveal in his Autumn Statement. What is decidedly gloomy is the medium term prospect. The golden combination of increases in real public expenditure with tax cuts and a declining share of public expenditure in gross national domestic product has vanished, not just for a year, but for many years ahead.

The expected increase in public spending next year is largely the result of inflation, most notably the uprating of benefits by the rise in retail prices in the year to September. Inflation lies behind increased claims for health and education as well. It does not lie behind the roughly £3bn cost of sweetening the poll tax pill, however, but this was also caused by the government's mistakes. There will be little political gain from all this increased spending, therefore. It is more a matter of limiting the damage.

The chancellor warned of the gloomier prospect in his Mansion House speech last week. "An economic slowdown inevitably brings renewed pressures on public expenditure, which may no longer fall as a proportion of GDP," he remarked. The large cyclical budget surpluses would diminish, though the medium-term objective of a balanced budget would not be changed.

Short term deterioration

Yet the damage to the government's cherished targets for public spending as a share of GDP should not be exaggerated. The target for 1991-92 in last year's Autumn Statement was 38¾ per cent (excluding privatisation receipts). There is a good chance of its staying below 40 per cent, and so below the level of only three years ago, largely because inflation is increasing money GDP along with public spending.

What is now in prospect is a short term deterioration in both the government's fiscal position and its control over public spending. This trend is strongly suggested by experience in the present financial year. The public sector borrowing requirement, excluding privatisation receipts, was £7bn in the first half of the financial year, up from £2.5bn in the same period of 1989-90. If this deterioration is carried forward, the planned public sector debt repayment of £7bn may well turn into a small borrowing requirement.

Increasing outlays

More significant, it might appear, is the fact that central government outlays in the first six months of 1990-91 were running 22 per cent above the level in the corresponding period of 1989-90. The Treasury asserts, however, that this increase in outlays is only 13 per cent, allowing for special factors. This is well above the rate of inflation, either headline or underlying, but it is at least below the first six months' increase in receipts.

The present and immediately prospective fiscal deterioration, while real, is not that serious, particularly because of the excellent starting position. None the less, it probably means that in the next budget tax cuts would have to be paid for by increased borrowing, something with which Mr Major – not to mention the foreign exchange markets – is likely to be very uncomfortable.

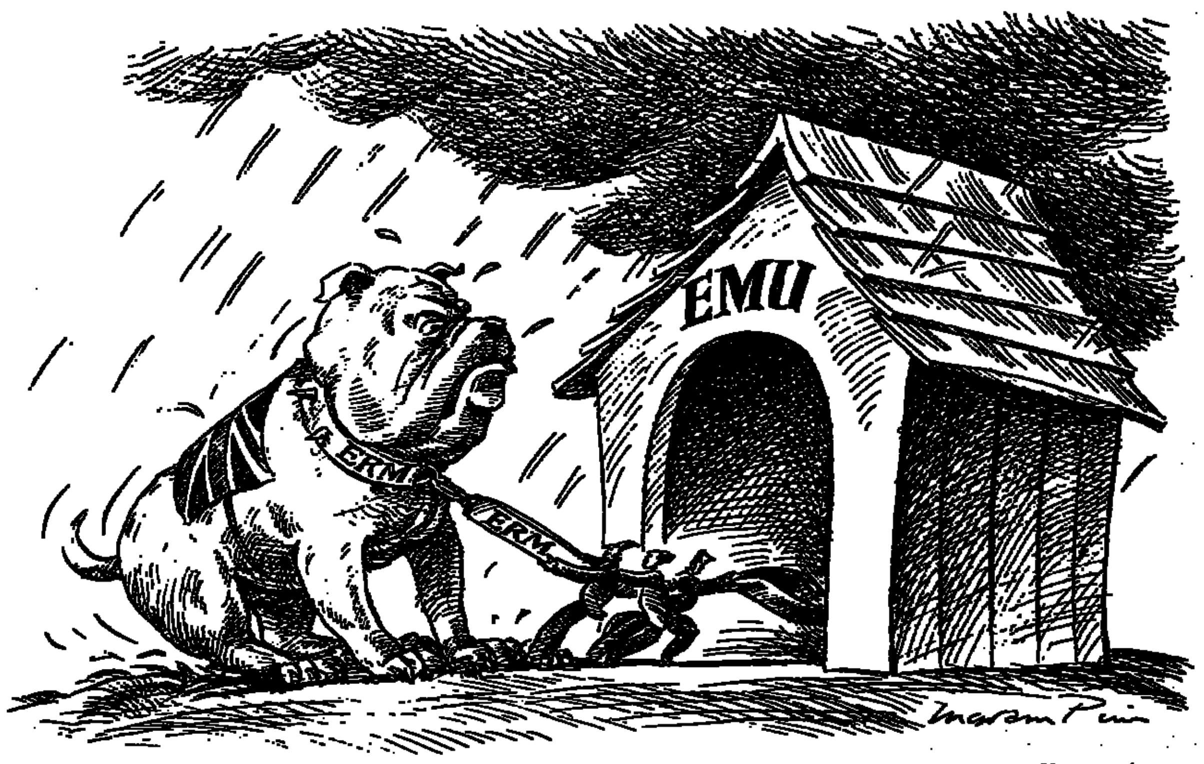
A small cyclical deterioration is one thing, a trend deterioration is quite another. Yet the prospect for the UK is several years of low growth, along with low profits. Meanwhile, pressures are building up for a catch up in public sector pay and for increased spending on public services. In this environment significantly higher real spending would mean either tax increases or progressively larger budget deficits, the latter being almost certainly inconsistent with maintenance of the parity within the ERM.

When an economy is good it is very, very good, but when it is bad it is dreadful. The government may be able to cope with the deterioration in the public sector position this year and the next. Its successor – quite particularly a Labour successor – is likely to find year after year of austerity quite another matter.

ECONOMIC VIEWPOINT

Why ERM needs monetary union

By Samuel Brittan



A study by the European Commission of the effects of European Economic and Monetary Union, concluding that the benefits exceed the costs, will be greeted with suspicion.* Did anyone expect another conclusion? But do read on.

For there would be no harm in economists admitting that the main motivation for Emu is as a step towards European political unity, and concentrating on devising institutions which will minimise costs and maximise benefits.

The two obvious economic gains from ending currency fluctuations are the elimination of transactions and uncertainty costs. A third benefit for inflation-prone countries would arise if the monetary union were run with a commitment to price stability approaching that of the Bundesbank.

The Commission manages to expand these benefits into a "check list" of 16. But quantification is only possible for two or three of them. The elimination of transactions costs would save ½ per cent of GDP. Emu would also eliminate exchange rate variability, which averaged 0.7 per cent a month even for countries in the Exchange Rate Mechanism, and 1.9 per cent for countries outside it.

Exchange rate uncertainty prevents many businesses from treating Europe as a series of overlapping markets as they do the US, and encourages the practice of local "sourcing". The Commission estimates that a reduction of as little as ½ per cent in the exchange rate risk premium (contained in the minimum required rate of return on business investment) would eventually raise the level *(not* the growth rate) of Community GDP by 5 per cent.

The authors are admirably frank about the intangible and unquantifiable nature of many of the other benefits. These may arise from the interaction of the *1992* Single Market programme with the abolition of exchange rate risks. Or they may arise from the intangible benefit of price stability.

The crucial assumption is that the planned European Central Bank will have the same credible commitment to price stability as the Bundesbank, which is now the anchor of the European Monetary System. If it did, the transitional costs of achieving price stability would be reduced, as employers and unions would know that there was no way of inflating or devaluing out of problems.

STAGES OF EMU

	1992	Full EMS	Final Emu
Monetary union			
Convertibility	X	X	X
Free capital movements	X	X	X
Irrevocable parities or single currency	-	-	X
All states belong	-	X	X
Economic union			
Single market	X	X	X
Competition policy	P	P	E
Regional policies	P	P	E
Policy co-ordination	-	P	E

X = achieved, P = partially, E = enhanced
Source: Commission of European Communities

The Bank will certainly not have this credibility if Neil Kinnock has his way and it is committed to regional policies and so-called "growth", while being completely subordinate to governments. Fortunately, the Labour party's version of Emu is not on offer, as Germany would refuse to join it.

The main cost of Emu is the abandonment of independent national monetary and exchange rate policies. The Commission report follows some academic writing by saying that this cost arises from shocks, which are not of monetary origin and which are specific to individual states. An example would be an oil discovery. The authors try to argue that most such shocks are in practice man-made and would diminish in the setting of full Economic and Monetary Union. It does not just write off monetary autonomy, as I might, as the freedom to debase one's currency.

Indeed the main criticism of the report is not that it is partisan, but that its authors seem more afraid of the international economics industry than of Jacques Delors. Instead of just putting forward the best case for Emu, they try to mention every possible type of economic theory and every econometric investigation, remotely relevant. They are consequently inconclusive on some of the main issues, such as whether the balance of payments will continue to matter or how far fiscal policy will be useful. The result is frankly indigestible and will be read by almost no one from cover to cover – even though many of us will be extremely grateful for it as a wide-ranging work of reference.

One problem the authors faced was: with what to compare Emu? They settled for "1992 plus EMS", which is also known as Stage One of the Delors Plan. But many Stage One goals have still to be achieved, including credible UK membership at the normal 2¼ per cent margin. Thus it is often hard to say whether a particular benefit – or cost – should be attributed to the that stage or to Emu itself.

By far the best section is chapter two on the economics of Emu. This suggests to me that the difference between "1992 plus EMS" and a single currency is a matter of degree. Take the transaction savings from a single currency. It would surely be possible to simplify bank transfers without a single currency, especially if exchange rates were permanently fixed. There is no reason why one banker's card should, for instance, not be usable throughout the Community or why Eurocheques should not be assimilated to the domestic variety (I say with feeling). On the other hand there are plenty of inconveniences in the US, which has one currency but a fragmented banking system.

A voluntary commitment to anchor one's currency to the Mark, such as Austria's and now Norway's, is useful. A commitment to a full or hard ERM, in which realignments are small and infrequent, is even more so. But without the Emu goal the credibility of the full ERM commitment will also weaken.

I make no secret that I was initially more attracted to the ERM than to Emu. The logic of the ERM, as the Commission report explains, is that overall monetary policy is determined by one member – Germany – and other members devote their monetary policy to maintaining the exchange rate peg. The ERM's successes have been achieved with a minimum of bureaucracy and institution building. Unlike the full Delors Plan, the ERM is more difficult to hijack for purposes such as fiscal harmonisation or Community regional policy.**

Unfortunately we cannot remain at the ERM stage. Other countries will not indefinitely agree to follow the German lead. This is where those who say that ERM membership is just a European version of the old Bretton Woods system of fixed but adjustable exchange rates have got it wrong. A Bretton Woods system would either harden into permanently fixed rates like the gold standard or break down into "dirty floating" as Bretton Woods did, when the dollar lost its credibility. A new Bretton Woods requires some institutions or commitments which would make parity changes difficult if not impossible.

The scepticism with which British ERM membership has so far been received in the financial community tells us a lot. There will aways be the possibility that some government will resort to downward realignment as an easy option. Looking at the unfounded moans about "too high" a rate of entry for the pound, I would understand any holder of sterling who adopted a "show me" approach.

Indeed in some of his attacks on the Delors goal of a single currency, even John Major has emphasised the need for different interest rates and the actual coexistence of different inflation rates, in a way which if taken seriously would weaken the British commitment to the full ERM.

France has achieved greater ERM credibility by the hard route of first minimising and then eliminating franc realignments. But credibility is reinforced by French championship of Emu, which at a minimum requires irrevocably fixed exchange rates. A single currency is one further stage.

As the Commission says: "Commitment can never be absolute since monetary union is the result of a treaty which can always be renounced" (as Ireland did in 1979). What a common currency can do – compared with "permanently fixed rates" – is to boost credibility by increasing the exit costs from the system.

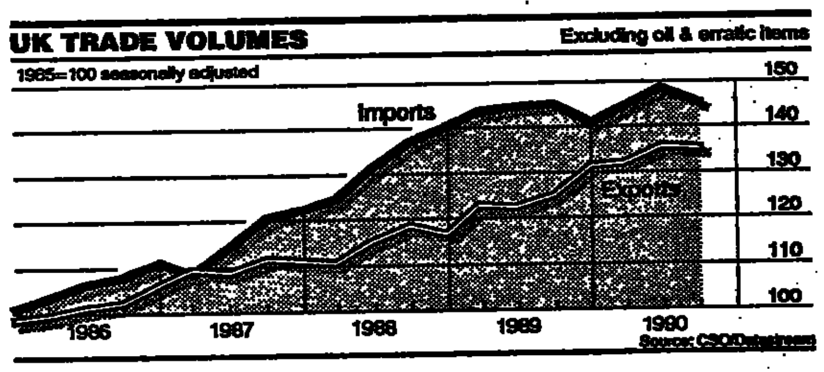
The Delors Committee treated irrevocably fixed exchange rates and a single currency as equivalent; and it is only subsequently that enthusiasts have put all the emphasis on the latter. If a two-speed Europe is to be averted, why not respect British parliamentary susceptibilities by making permanently fixed exchange rates, together with the independence of central banks, as the goal for the end of Stage Two?

Why not make permanently fixed exchange rates and central bank independence the proximate goal?

As different currencies became interchangeable, and the policies of central banks spill over into each other's territories, the need would be obvious for some democratic mechanism, to which the EC Committee of Central Banks would jointly account. Thus we would have a Eurofed; and in due course people could hand over their local currency for Ecu equivalents, perhaps retaining the familiar denominations on one side.

* *One Market, One Economy. European Economy No 44.*
** *Europe without Currency Barriers. S Brittan and M Artis, Social Market Foundation, 194 Regents Park Rd., London NW1 8XP.*

UK TRADE VOLUMES — Excluding oil & erratic items



Teenager's guide to trade

THE trade gap is no longer the flavour of the month. The erratic shrinkage in September to "the lowest level in three years" should, however, be forgotten. There will be equally erratic deteriorations in future months. More important is the underlying shrinkage. Import volumes have clearly stopped growing. Export volume increased by 9 per cent in the first three-quarters of 1990, compared with the same period a year ago. They fell slightly in the third quarter, but it is far too early to attribute this to the effects of a strong pound. Newly revised IMF labour costs suggest that UK competitiveness is much the same as in 1985 and some 20 to 30 per cent better than at the peak of sterling's rise in 1980-81. The falling dollar is the biggest currency problem.

The very large rise in the current deficit was mainly due, however, to "excess" domestic demand. The recent fall reflects recession. What will happen if and when domestic demand growth recovers to a normal but not excessive rate? The gloom merchants overlook the continuing recovery in the UK share of world trade in 1989-90. The most likely trend is for a continuing deficit, falling as a proportion of GDP, which can be readily financed so long as confidence in sterling is maintained.

OBSERVER

Worms in the garden

■ The top executives of Compagnie Financière de Suez used to be known as the Four Musketeers. Now, after the illness and death last week of Renaud de la Genière, the description will have to be reworked.

Gérard Worms, who replaces de la Genière as chairman of the FFr60bn (£6.06bn) portfolio of banking, insurance and industrial companies which make up Suez, clearly does not see himself as d'Artagnan. He toys with describing himself as a lighthouse keeper who does not actually make things run but watches vigilantly over the machinery but he finally settles for being a gardener.

"You have to pull out the weeds, clear around the plants which need more space, and transplant them to your neighbour's garden if they will do better there," he said yesterday in his first public appearance.

Worms, aged 54, has usually been judged to be more bookish and scientific than horticultural. He no longer teaches economics at the exclusive Ecole Polytechnique engineering school. But he chairs, with enthusiasm, the French association for technical research.

He may not be able to sheath his musketeer's sword, however. Several of his major shareholders have demonstrated during the succession battle of the last few weeks that they are more concerned about their particular associations with one or other Suez subsidiary than in the interests of the group as a whole.

Worms will have to fight off the demands of Carlo de Benedetti, who thinks of little else but selling his remaining stake in Société Générale de Belgique; of Philippe Jaffré, of the Crédit Agricole, who has his eyes on one of Suez's banking subsidiaries; and above all of Jean Peyrelevade, of Union des Assurances de Paris, who wants to make something more of the FFr14bn he has invested in Victoire, Suez's insurance offshoot.

If diplomatic refusals are not possible Suez may have to fight for its independence.

Job for Jeeves

■ If you keep hearing voices do not call your psychiatrist, try an electrician instead.

It could be that your problems can be solved by a Butler. This is a small machine, about the size of a big book, which is about to be brought in from the US and launched upon an unsuspecting British market by Master Command.

Your Butler will be able to control all electric and electronic devices in your house or office by recognising your voice, and other authorised voices. It can be used by up to four people, whose voices it will recognise individually. All that for a trifling £2,000 starting price.

"So smart is Butler", they tell me, "that if you ask it to get your mother on the phone it will get your mother - not your wife's mother".

Nonetheless, when I called it took the promoters ten minutes to connect me to someone who could talk about it.

Doubtless they had given their Butler the day off.

In good voice

■ Winston Churchill, an old boy of Harrow school, felt the boys' Songs were among the greatest treasures of the school, being passed down from one generation to another.

Since he visited Harrow as prime minister in 1940 to hear them sung they have become known as the Churchill Songs.

Next month (on November 22) the largest gathering of Harrovians and relatives and friends ever assembled is expected at the Albert Hall, London, for the 50th anniversary sing-song.

Roger Boissier, deputy chairman of the school governors and the man in charge of the event, is estimating this year's audience at more than 4,300, enough almost to fill the hall.

Boissier has double reason to be cheerful this week. He is chairman of Pressac Holdings which has announced a 19 per cent increase in pre-tax profits to £2.67m.

Loose bricks

■ A learned, and apparently serious, symposium of German psychologists and psychotherapists has come to the disturbing conclusion that most Germans have suffered some mental anguish during the long division of their country.

And the dismantling of the wall is making matters worse by shaking loose many well-cemented ideas.

Professor Eva Jaeggi, from the Technical University of Berlin, and others, claim that the wall functioned as a sort of psychic screen for Germans on both sides to project their fear and anger. The absence of the wall is thus playing havoc with the collective psyche. It is also unleashing waves of resentment from the eastern side of divided families who supposedly felt "controlled" by their western relatives.

Hans-Joachim Maaz, an east German psychotherapist from Halle, claims that Stalinism produced a collective mental disturbance, and that all citizens of the former East Germany need a long time to recover.

But, not to be outdone, Thomas Krauss, of the Institute for Social Medicine at West Berlin's Free University, has referred to scientific research which allegedly proves that half of all west Germans have problems of their own.

"The wall", he concludes, "was a great help for many psychological mechanisms. That is why current identity crises are so serious".

Baghdad school

■ Saddam Hussein's European "guests" are acting true to their different national types.

The Italians left in Iraq are keeping their spirits up by cooking each other their favourite pasta dishes. The British are playing Patience and dreaming of home around hotel swimming pools.

But, according to Sweden's Ministry of Foreign Affairs, the earnest Swedes seem to be making a virtue of their position as hostages. They have organised themselves into study circles and are busy learning the Arabic language and how to appreciate Arabic culture.

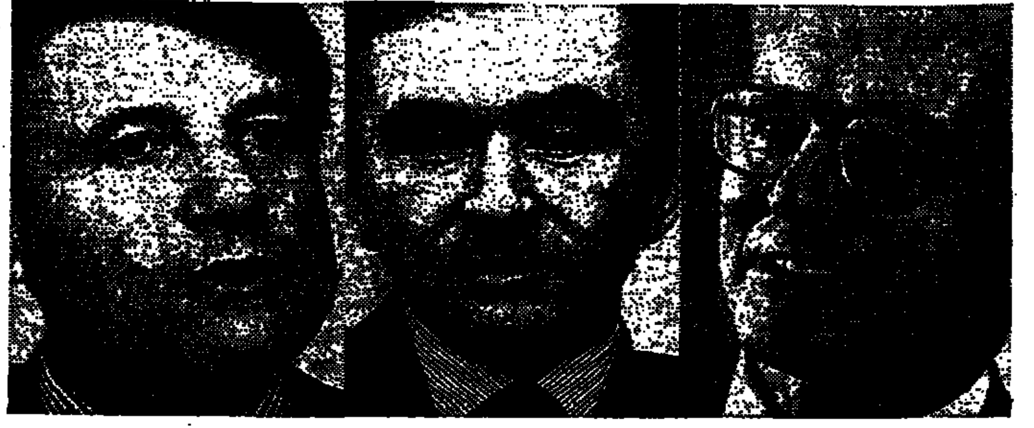
Martial music

■ The Japanese have now promised 40,000 Sony Walkmans for the Gulf forces.

Should the trumpet sound the charge will it ever be heard?

Quiet revolt in the corridors of power

The civil service is losing out as more of France's elite turn to industry, writes William Dawkins



The new elite: Alain Gomez, Bernard Arnault and Roger Fauroux

A quiet but revealing change is taking place among the discreet networks of highly-educated civil servants and businessmen who run the French economy.

A largely male elite, dominated by Parisians with a background in public administration, is becoming more open and attuned to entrepreneurial virtues, as the state loses some of its considerable grip on the business world. It provides a rare insight into how the establishment is yielding to the influence of free market thinking and the internationalisation of business. The effect has been to make the French business sector more flexible, at the expense of some traditional social and intellectual values.

"There was a time when senior civil servants could guarantee they would take the place of honour at the right of the hostess at dinner. Now they will have to compete against someone like Mr Bernard Tapie," jokes Mr Michel de Rosen, a typical example of the new generation of the French elite.

Mr de Rosen began a brilliant public service career in the fast stream at the Treasury, moving on to become a diplomat in Washington, before becoming chief adviser to a former French industry minister. He then hopped back into business and is now running the FFr16bn turnover fibres division of Rhône-Poulenc, the state-owned chemicals giant, at the age of only 39.

The difference is that he started all this by first going to business school to train as a manager, a move seen only recently as an eccentric move for an aspiring star. "Some members of my family thought I was sick," he says.

It used to be that the cream of France's intelligentsia followed careers in the civil service, capped by a top job in state-owned industry in their 40s or 50s. But now they are more likely to depart in their 30s or even straight after graduation at one of the prestigious public administration colleges through which every self-respecting high flyer must pass.

Moreover, they are just as likely to go to the private sector as into state industry. Business schools all over France are reporting a huge increase in attendances. Groups as diverse as Bouygues in construction, Rossignol in skis and Peat Marwick in accountancy now boast young civil service stars in their senior ranks.

"I am pretty certain that out of all my private staff, only one will be left in public administration in five years," says Mr Roger Fauroux, industry minister and another classic product of the establishment. "It's not only a question of salary, for they have always been able to get more in the private sector. It is that nowadays there is more prestige working for a company. It is a reflection of our growing economic liberalism ... business is chic."

The traditional networks are based on contacts built at one of the better known of the more than 300 *grandes écoles*, state-sponsored colleges which prepare university graduates for professional life, usually in the civil service. Ecole Nationale d'Administration (Ena), one of the most respected of them – including among its 4,000 or so alumni three prime ministers and most of France's brightest industry chiefs – is uneasy at the number of its alumni who leave for private sector jobs early in their civil service careers. "A young person doesn't feel he is betraying the public interest by going into the private sector. He might have done a few years ago," mourns Mr René Lenoir, director of Ena.

Founded after the Second World War to groom bright youngsters to rebuild a shattered public administration, Ena takes less than 100 graduates per year, for which it usually receives at least 10 times as many applications.

Enarques – Ena graduates – must promise to work in the civil service for at least 10 years. If they leave early, as an increasing number do, they are fined. Few pay the penalty and the chances are that their prospective employers are only too happy to pay.

Mr Lenoir is pressing for an end to the current system under which Enarques are guaranteed their former public service jobs should they wish to return. "I am all for the free circulation of our elite, but I am against letting them go without risk," he says.

The top Enarques feed into one of the top *"grands corps"* of public administration – the elite professional training colleges. The most highly regarded of these is the inspectorate of finances, the fast track to the summit in the treasury, open to only a handful of pupils each year. This *qualification – held by Mr de Rosen* – identifies the holder as one of the couple of dozen or so brightest people of his generation.

An even more venerable but larger taking-off point for high flyers is the Ecole Polytechnique, a science college used by Napoleon to train engineers for his army. Most people call it X, pronounced eeks. There are around 350 'X' graduates a year, the top handful of which move on to one of the top four industrial *corps*. Depending on the *corps* they choose, alumni might identify themselves as X-Ponts or X-Mines – jargon essential to understanding the flight path of a French business star.

Enarques and Polytechniciens are often hunted by companies just as much for the content of their address books as for their formidable brains. For they have the unspoken right to contact almost any fellow alumnus, though this is used with discretion.

As a mark of how the public administration's senior men dominate business, only two of France's top 25 companies have been run consistently by career managers over the past 20 years, according to a recent survey carried out for the financial newspaper Les Echos. In some cases specific jobs are even reserved for certain *corps*, a far more structured old boy network than its Oxbridge counterpart in the UK, or Harvard and Yale in the US.

The top people at Electricité de France, the state power utility, and at Seita, the state tobacco group, for example, have traditionally come from the Ecole Polytechnique. The chairmanship of Elf Aquitaine, the state-controlled oil group was reserved for X-Mines until recently, when the government raised eyebrows by appointing a graduate of the Grenoble National Polytechnic Institute, Mr Loïk Le Floch-Prigent – though this socialist does have a public service background as a former chief adviser at the ministry of industry.

These networks would not operate so efficiently without the existence of several string-pulling godfather figures, like Mr Roger Martin (X-Mines), a former chairman of Saint-Gobain, the privatised glass and packaging group. During his long period in the Saint-Gobain throne, he hired a brilliant youngster every three or four years, to be groomed for a top job in state-owned industry.

The best known Martin protégés include Mr Fauroux himself (another former chairman of Saint-Gobain), Mr Alain Gomez, the head of the Thomson state-controlled defence and consumer electronic group, Mr Francis Mer, head of the Usinor Sacilor state-owned steelmaker, and Mr Jean-Louis Beffa, current head of Saint-Gobain.

Mr Ambroise Roux is another industrial godfather to be reckoned with. As head of the powerful, but almost invisible, Association Française des Entreprises Privées, he is credited with exercising a discreet steering influence on the growth of economic liberalism in the socialist government.

Mr Roux's star is on the wane since his recent retirement from the chairmanship of Générale Occidentale, the publishing group. His protégés include Mr Pierre Suard (like Roux, an X-Ponts), chairman of CGE, the telecommunications and engineering group and Mr Alain Minc – a former Saint-Gobain finance director – who now runs Cerus, Mr Carlo De Benedetti's French holding group.

In the financial world, probably the most distinguished godfather is Mr Antoine Bernheim, senior partner of Lazard Frères, the investment bank. Some of France's best-known new entrepreneurs depend on Lazard's discerning support, like Bernard Arnault, the former Polytechnique student who last spring won a bitterly-contested battle for control of LVMH, the champagne-to-handbags luxury products group, or like Vincent Bolloré, the brilliant young founder of the industrial group which bears his name.

Just how far the change has gone is open to debate. The French establishment is still seen by some people as too rigid, still too much in the grip of the *grands corps*.

"This so-called French elite creates a bottleneck," says Rhône-Poulenc's Mr de Rosen. "Of course it's a good thing that we all understand each other very clearly, but the problem is that we don't have enough self-made men. I am sure there are thousands of people with talent who don't get near the top because they didn't have the opportunity to come through the top educational and social system." Even so, he and others agree that the road to the top in France is becoming just a little more open.

BOOK REVIEW

The grand illusionist and great survivor

BEHIND THE MYTH:
Yassir Arafat and the Palestinian Revolution
By Andrew Gowers and Tony Walker
WH Allen, £14.99

Yassir Arafat became chairman of the PLO in 1969 and with dogged perseverance he has succeeded in keeping the PLO show on the road ever since in the face of overwhelming odds and a series of stunning reversals that included expulsion from Jordan, evacuation from Lebanon, a Syrian-instigated mutiny and an Israeli bombing of his headquarters in Tunis. But although he has been in the limelight for more than 20 years and although he talks a great deal about himself, he remains an enigmatic and controversial figure – volatile, theatrical and maddeningly difficult to pin down.

Arafat's life and career have been shrouded in mystery, much of it of his own making. The title of this book is therefore particularly apt, for it is an attempt to get behind the myths that have been assiduously cultivated around the man and the movement he heads. This is not an exhaustive study of the PLO and Palestinian nationalism; nor is it a biography, in the strict sense. What it does offer is a highly readable and illuminating account, enriched by interviews with many of the leading personalities involved, of Yassir Arafat's role in the making of what Palestinians call their "revolution".

While pursuing the struggle for the liberation of Palestine, Arafat has also had to fend off attempts by various Arab rulers to appropriate the Palestinian cause. The PLO remains a microcosm of inter-Arab politics with different Arab regimes supporting different groups within the organisation. The authors trace with considerable skill and insight Arafat's relations with his Egyptian sponsors, his Saudi paymasters, his stormy "peace partnership" with King Hussein of Jordan, which ended in divorce, and his deadly enmity with President Assad of Syria.

One conclusion that may be drawn is that the policy of armed struggle rendered the PLO almost totally dependent on the goodwill and material support of the confrontation states, whereas the adoption of a realistic political strategy has enabled it to assert more effectively its own autonomy. Arafat's singular achievement in this respect has been to steer the PLO along the long and tortuous road that led, by the end of 1988, to the acceptance of the two-state solution, the recognition of Israel and the renunciation of terror.

Arafat's great misfortune is that the decline of rejectionism within his own camp has coincided with the emergence of the most rejectionist government in Israel's history, a government which not only refuses to deal with the PLO but also denies any political rights to the Palestinian people. Having achieved Arab acceptance of the PLO as the sole legitimate representative of the Palestinians, UN recognition and a dialogue with the US, Arafat now faces a standstill on the diplomatic front that can only strengthen his opponents within the PLO.

On the organisational front the PLO is woefully inadequate. Here Arafat cannot escape criticism because his own highly personalised and idiosyncratic style has impeded the development of a sound and durable institutional framework. He operates in a modern environment with very old-fashioned and inadequate tools. Like a traditional Arab leader, he maintains a direct relationship with the masses and he continues to enjoy broad popular support. What is missing is an intermediate political class and a machine to build on this popular support.

Nothing has revealed more clearly the shortcomings inherent in Arafat's style of leadership than the *intifada*. When the *intifada* broke out in December 1987, Arafat was taken by surprise. His response, as the authors show, was to pretend that the PLO had initiated this full-scale revolt against Israeli rule and that it was in full control. In fact, the initial impulse, the planning, the organisation and the direction all came from the local leadership. This leadership turned out to be much more innovative, resourceful and self-reliant than its counterpart in Tunis. What was needed was a political initiative to match the practical sacrifices on the ground. Arafat and his colleagues were quick to cash in on the publicity, but failed to translate it into a lasting political achievement.

Much of the international sympathy generated by the *intifada* for the Palestinian cause was dissipated by Arafat's refusal to side with most of the rest of the world against Saddam Hussein, after the Iraqi invasion of Kuwait. Arafat responded to the Gulf crisis in the way he had always responded to crises: he equivocated while seeking sporadically to mediate. In the process, he bitterly antagonised his Arab supporters, dented further his credibility in the west and appeared to vindicate the Israeli refusal to have any truck with the PLO. Admittedly, the support of the Palestinian rank and file went to the Iraqi tyrant, but the task of a leader is not to follow the masses; nor can there be any doubt that the interests of the Palestinian movement would have been better served by a principled stand against the acquisition of territory by force.

Despite this latest blunder, Arafat remains indispensable as the only man capable of holding the Palestinian factions together, of rebuilding the PLO's prestige, and of keeping it in the mainstream of regional and international politics. And despite the lack of any tangible progress towards a Palestinian state, there remains the symbol of the Palestinian revolution: an imperfect symbol, but the only symbol they have.

Andrew Gowers and Tony Walker are frequently and frankly critical of their subject but not basically hostile. Their book is written with a genuine feel for the complexities of Palestinian politics and with a keen sense of drama. There is a great deal of new material here which not only brings events to life but leads to a better-informed understanding of one of the great survivors in the turbulent game of Middle East politics.

The reviewer is a fellow of St Antony's College, Oxford, and author of The Politics of Partition (OUP).

Avi Shlaim

LETTERS

Time for government's economic advisers to go

From Mr Frank Blackaby.

Sir, The time has come for the intellectual rehabilitation of those few economists who have argued, all along, that this government's anti-inflationary policy was not marginally misguided, but wholly wrong.

This policy is now well into its second year. After more than two years, the rate of inflation is much higher than it was when the policy began. That is not some minor deviation from a target figure. It is a total failure. Because of this failure, the eventual cost in unemployment of bringing the rate of inflation down will be *distressingly high*.

The policy has been a failure because it was based on a bad analysis of the working of the British economy. We do not live in some fantasy economy where there is no wage bargaining and no wage round. They exist. There is a great deal of *de jure* and *de facto* indexation, and strong resistance to reductions in real wages. It is foolish, in an anti-inflationary policy, to use instruments which push the retail prices index up. This is not the only disadvantage of a sole reliance on interest rates. Their effect is uncertain and the impact on different categories of demand is undesirable.

The government is now trying to talk the wage round down, using the threat of unemployment. Of all the various forms of incomes policy tried in the past, this is the one which has proved to be the most ineffective.

It is time for the government's economic advisers to resign.

Frank Blackaby,
9 Fentiman Road, SW8

Doubts about Treasury forecasts

From Mr Alan Tuffin.

Sir, No one can deny that Britain's entry to the exchange rate mechanism (ERM) effectively rules out passing on, through devaluation, costs which are relatively higher than the European Community average. ("Setting pay in the ERM," October 15).

This has obvious implications for pay which indeed was pointed out in A New Agenda: Bargaining for Prosperity in the 1990s, which I co-authored with John Edmonds, general secretary of the GMB. Nevertheless, one cannot help but view with some scepticism the chorus of comment telling union wage negotiators to look at prospective inflation rates.

With inflation at or near the peak of a steadily rising trend since 1988, is it really a coincidence that we are only being urged to look forward now that the retail prices index is expected to fall? Business rates and Poll Tax have risen 34 per cent and mortgage interest by 32 per cent. Oil and other fuels have increased by 43 per cent.

While I agree that the government, employers and unions should come together and look ahead, how can our members – many of them low paid – be expected to rely on Treasury forecasts of inflation at 5 per cent or 6 per cent by the end of 1991, and accept increases of that order, when the real value of their pay has fallen by almost 11 per cent in a year. This is at a time when directors' pay on average has risen by more than 15 per cent. No doubt many of them can afford a pay cut but not those on weekly take-home pay of about £150 or less.

Alan Tuffin,
general secretary,
Union of Communication Workers,
UCW House,
Crescent Lane, SW4

International misunderstanding

From Ms Lessia Djakowska.

Sir, The Ukrainian students celebrating their victory ("Ukraine: not willing to wait any longer," October 20) are giving the sign of the tryzub – the three-pronged trident symbol of Ukraine – not the two-pronged V for victory as stated in the caption to the picture accompanying the article.

A case of misinterpretation of international gestures and nought out of 10 for arithmetic!

Lessia Djakowska,
Association of Ukrainian Women,
49 Linden Gardens, W2

EC mergers: why the prudent will deal with 'both shops'

From Sir Gordon Borrie.

Sir, I agree with Sir Leon Brittan ("Misplaced doubts on EC mergers," October 11) that some newspaper reports on the respective roles of the European Commission and the British competition authorities have been based on misunderstandings of the Community merger regulation. Some reports have also misreported my own remarks on the subject in recent speeches.

I have long argued that there is a sound case for control at a Community level of transnational mergers and mergers having significant effects in a number of member states. It is then important that there should be clarity on which mergers will fall to the European Commission for assessment, and which to the national authorities. The regulation spells out the ground rules on this – rules designed to achieve a "one-stop shop" for merger control.

In comments on the regulation, I have given a number of reasons why a one-stop shop is unlikely to be attainable in every case. Sir Leon mentions two of these: the provisions in the regulation which, in defined circumstances, allow a merger covered by the regulation to be considered by the national authority. These are where a merger creates a competition problem in a distinct market in a national territory (Article 9) and where a country's legitimate national interests are at stake (Article 21). But there is another reason – uncertainty whether a merger does fall within the regulation.

There are a number of reasons why there can be doubt, including the application of the turnover thresholds and the definition of merger (or "concentration" in Community terminology). The latter point is illustrated by the very first case notified to Brussels – a share exchange between Renault and Volvo. My point has been that, where there is any doubt, companies may be wise to notify both Brussels and the Office of Fair Trading. There are substantial penalties for failing to notify Brussels of mergers within the jurisdiction of the European Commission. But, if the merger might fall within the jurisdiction of the Fair Trading Act, my office should be informed at the same time to avoid unnecessary delay if the merger should, for any reason, be properly one for the British authorities.

Delay in dealing with a merger can be as serious to companies as financial penalties. That is why I have said that dual examination of some British mergers which seem to fall within the regulation is likely to continue.

It is nonsense to say, as has been reported, that I shall insist that any mergers which fall within the scope of the regulation must get "domestic clearance first". Mergers which fall within the scope of the regulation will, normally, be decided upon by the Commission (I have to say "normally" because of the provisions of Articles 9 and 21) by reference to the criteria in the regulation. I have, incidentally, welcomed the fact that those criteria require the Commission to consider the effect of a merger on competition and on competition only, and debar the Commission from authorising an anti-competitive merger on broad grounds of industrial, regional or social policy.

But, although the decision whether or not a merger is compatible with the Common Market lies with the Commission, the decision is to be reached, as Sir Leon points out, by way of "constant consultation with the national authorities". My staff will have to look at all mergers covered by the regulation if this advisory function is to be properly carried out. Some commentators have confused this advisory role of the member states with the role of deciding whether or not a merger within the scope of the regulation should be prohibited.

The Community merger regulation has been in operation since September 21. It is a major development in Community competition policy. Inevitably, there will be varying views about it, particularly at this early juncture. My own views are not greatly at odds with those of Sir Leon in his article. Certainly, I have in no way challenged the principle of the one-stop shop. But I do think that companies will still find it prudent to deal with both authorities – both shops – at least on some mergers, and at least in the early stages of the procedures.

Gordon Borrie,
director general of fair trading,
Field House,
15-25 Bream's Buildings, EC4

FINANCIAL TIMES
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PARLIAMENT TO MEET ON NOVEMBER 7

India set for early general election

By David Housego in New Delhi

INDIA last night faced the prospect of an early general election as parliament was summoned for a special session on November 7 and ministers acknowledged that the ruling coalition would be unlikely to gain a clear mandate in a vote of confidence.

Close associates of Mr V. P. Singh, the prime minister, described an election as "inevitable". At a meeting, leaders of his Janata Dal party concluded that they would either be defeated on the floor of the House or left with such a minimal majority that stable government was impossible.

A day of violence throughout the country left at least 16 dead as Hindu militants took to the streets as part of a nationwide strike called by the radical Hindu Bharatiya Janata Party (BJP).

The strike was in protest against the arrest of Mr L. K. Advani, the BJP leader, who was arrested on Monday under the *Internal Security Act*. The BJP then withdrew its key support for Mr Singh's National Front coalition.

At the centre of the troubles is a plan, backed by Mr Advani, to build a Hindu temple at Ayodhya in north-east India on the site of an existing mosque.

In Jaipur state nine people were *killed in Rajasthan* – one of the country's main tourist centres – as crowds of Hindus and Moslems looted and burned shops in communal clashes. The city was placed under indefinite curfew while the army also took control in nearby Jodhpur and Beawar.

The other state badly hit by rioting was Gujerat in the west where the death toll in Ahmadbad has risen to six.

The special early session of parliament is being summoned at the initiative of President Ramaswamy Venkataram who declared yesterday that Mr Singh's administration had lost its majority with the withdrawal of support by the BJP.

The government's calculation is that the maximum votes it can muster with the support of *friendly* parties is 206 in a parliament of 543. This would leave them evenly matched with Mr Rajiv Gandhi's Congress Party which can equally look to about 206 votes. The BJP has still to decide whether it will abstain or vote against the government.

The chances of Mr Singh being toppled from within his own party waned yesterday after Mr Devi Lal, the former deputy prime minister and a continuing critic of Mr Singh, said this was no time to change leader.

Mr Singh foreshadowed the themes of an election campaign in a statement last night in which he said the government had staked its survival to defend India's secular tradition of Hindus and Moslems living together.

The dominant theme of the campaign will be determined by the BJP's support for Hindu fundamentalism and the construction of the temple at Ayodhya.

EC 'will negotiate on farm reform proposals'

By William Dullforce in Geneva

THE EUROPEAN Community yesterday warned against suggestions that its proposal on farm reform, once tabled, would not provide a basis for further negotiations.

The EC accepted responsibility for delaying the farm talks but would negotiate in good faith, Tran Van-Thinh, head of the EC delegation, told the Trade Negotiations Committee, the governing body for the Uruguay Round trade talks.

The talks on farm reform have been in limbo since the EC missed the October 15 deadline for tabling its offer and ministers from the 12 member states have continued to disagree over the terms of the offer.

Tran Van Thinh's warning came after several countries had complained about the inadequacy of the offer being fought over in EC ministerial councils.

Mr Peter Field, chief negotiator for Australia, which leads the Cairns Group of 13 farm-exporting *nations* in the talks, had described the EC offer as "minimal tinkering" with the current distortions of world farm trade.

Argentina stated that the offer could prevent meaningful negotiation while Brazil noted that in its present form the offer would damage $2bn worth of Brazilian exports and leave its farmers worse off than now.

Reporting to the Trade Negotiations Committee on other areas, Mr Arthur Dunkel, Gatt's director general voiced "very deep concern" about the state of the talks on foreign *investment* and *on revisions* to Gatt's anti-dumping and subsidies codes, where under the new deadlines for the negotiations, agreed texts are due in two days.

Mr Dunkel urged governments to get out of their entrenched positions.

The October 19 deadline set for nine subjects has been *missed in several cases.*

Texts amending Gatt rules on import licensing, customs valuation and three Gatt articles are ready, but the deadline passed without agreements on rules of origin and preshipment inspection, while differences of opinion remain over improvements to Gatt's dispute settlement mechanism.

Governments which had tabled sugestions for improving the government procurement code, the US and the EC, appeared to be no longing pursuing them, Mr Dunkel said.

Unless all these issues were quickly finalised, negotiators would not be in a position to address in a responsible way the key elements of the Uruguay *Round, agriculture, tex*tiles, intellectual property rights and safeguards, Mr Dunkel warned.

In each of these areas governments had to take decisions now or agreements would not *be possible in the Round.*

● Mr Jacques Delors, the European Commission president, hinted yesterday that the present impasse over EC farm reform could be broken tomorrow.

Speaking to journalists in *Strasbourg, Mr Delors said he* thought Brussels was ready to provide Germany with guarantees that plans to cut EC farm subsidies would be softened with compensation payments and "accompanying" measures. Page 3; US may cut tariffs, Page 3

Ms Benazir Bhutto (left) casts her vote at Naudearo in yesterday's Pakistan general election, while her main rival, Mr Nawaz Sharif (right) of the Islamic Democratic Alliance, votes at Lahore.

The vote was held peacefully despite a highly charged election campaign after the military-backed ousting of Ms Bhutto as prime minister in August. As the count continued late into the evening, police and troops were on standby.

Mr Ghulam Mustafa Jatoi, the interim prime minister, warned in Karachi against any attempts to disrupt law and order after the elections.

In the centre of Rawalpindi city outside Islamabad, supporters of candidates backed by Ms Bhutto's Pakistan People's Party and their government-supported Islamic Democratic Alliance rivals mingled at several locations. *Chanted slogans were answered by friendly shouts.* The elections were the third in Pakistan since 1985.

Israel keeps out Arabs from West Bank and Gaza Strip

By Hugh Carnegy in Jerusalem

ACCESS to Israel from the occupied territories was closed yesterday as security forces ordered all West Bank and Gaza Strip residents to return home in an effort to cap a surge of violence in which three Jews and two Arabs have died since Sunday.

Thousands of soldiers, police and paramilitary forces were *mobilised to block roads across* the "green line," preventing more than 100,000 Palestinians with jobs in Israel from reaching work.

On the main road into Jerusalem from Bethlehem, troops manned roadblocks turning back most traffic. However, some workers evaded the roadblocks and got through by crossing *olive groves on foot.*

Mr Moshe Arens, defence minister, said the measure – which has been used before at times of high tension during the near three-year Palestinian uprising – would stay in force for several days while security was reviewed.

The spate of attacks on Jews by individual Palestinians inside Israel was prompted by the killing of 20 Palestinians in Jerusalem by Israeli police earlier this month.

The government continued to resist pressure from the US to co-operate with a UN mis*sion sanctioned by the Security* Council to investigate the October 8 killings, suggesting instead that the results of an independent commission, due to report later this week, could be used as Israel's response.

Mr Faisal al-Husseini, the most prominent public leader of the Palestinian *intifada* (uprising), was released yester*day after his arrest at the site* of the killings but no charges were brought against him.

The sealing off of the West Bank and Gaza immediately hit several Israeli industries which use Arab labour heavily, notably textiles, food processing and construction. Demand for substitute Jewish workers, especially Soviet immigrants prepared to work for low wages, have risen sharply.

Mr Roni Milo, police minister, said employers should drop Arab workers in favour of Jews.

Employers have learnt to adapt to sudden interruptions *of labour during the intifada* and the main impact is felt by Palestinians who have become more reliant, not less, on work in Israel for income since the uprising began.

"What happened here is for the sole and sovereign treatment by the state of Israel via the (investigating commission)...The UN cannot have any *status in both investigating* and reaching conclusions on the matter," said Mr Yossi Ben Aharon, director-general of the prime ministry.

Jerusalem, holy shrine of intractable conflict, Page 4

US Democrats alter demands

Continued from Page 1

Congressional leaders are keen to resolve the matter quickly after incurring widespread criticism for the crisis, which has involved four threatened shutdowns of the government and has disrupted the US Treasury's funding programme.

Both sides accept that unless a solution is found quickly, there is a danger that there will be strong Congressional pressure to defer decisions until after the mid-term elections.

Such is the sensitivity of the issue that Mr Bush unusually refused to answer questions when he appeared in the White House briefing room to announce the resignation fo Mrs Elizabeth Dole as Labour Secretary. She is becoming president of the American Red Cross.

Mrs Dole, who said she wanted to turn her attention to humanitarian efforts, was the first person to resign from President Bush's cabinet. "It is with real deep regret that I accept this resignation," Mr Bush said.

Iraqi admits using hostages in attempt to split alliance

Continued from Page 1

ment nor the local media reacted to French statements that Paris was not ready for a compromise solution – short of a complete Iraqi withdrawal from Kuwait – in return for releasing *French nationals.*

At a special session of the Iraqi national congress, Mr Tariq Azziz, foreign minister, indicated Baghdad was anticipating that Paris would seek further support for proposals announced by President François Mitterrand last September.

The French proposals called for a complete withdrawal *of Iraqi troops from* Kuwait but also stressed that it should be followed by intensified efforts to find a formula to solve the Arab-Israeli conflict.

"The French initiative is a *new phenomenon in the* western political position," Mr Azziz told the congress.

In contrast to the official view, some members of the congress, which is seen as no more than a rubber stamp for *President Saddam Hus*sein's decisions, expressed concern that the release of French nationals *might not* succeed in effecting a shift in the French position.

The concerns were echoed by other ordinary Iraqis who *followed the special session* of congress that approved the French hostages' release.

The policy of selective release of western nationals appears to have generated mixed feelings in Baghdad.

On one hand it is seen by Iraqis as a sign that prospects for a military confrontation are receeding. *Equally*, there are those who fear the European position will remain unchanged.

"Why should France be treated differently .. why didn't we wait for France to announce something tangible *such as withdrawing its* troops from the Gulf or opposing the blockade against Iraq," said a young Iraqi.

It was an unusually open criticism of an official position.

Daimler-Benz division set to lead new regional jet consortium

By David Goodhart in Bonn, *William Dawkins in Paris* and John Wyles in Rome

DEUTSCHE Aerospace, the aerospace division of Daimler-Benz, looks set to lead a consortium including French, Italian and Spanish aerospace groups to build a new regional jet airliner seating between 75 and 100 people.

The project, which may also include the Chinese, is still at the feasibility stage but the Daimler board is understood to have given its backing. An official from Aerospatiale, the French state-owned aerospace group, confirmed that discussions were going on.

The MPC 75, as the jet is to be called, appears to have *superseded earlier negotia*tions over a regional jet project between Aerospatiale, Aeritalia of Italy and Casa of Spain. France and Italy have for the past five years co-operated on a turbo-prop commuter aircraft but this has had some technical problems.

Deutsche Aerospace will lead the new project, if it gets off the ground, *and it will be* based in Hamburg. That would make it the first major multinational aerospace venture led by the Germans. There has been growing resentment in Germany that most significant projects – such as the Airbus, French-led, or the European Fighter Aircraft, British-led – have non-German leaders.

The desire to assert German leadership is, according to aerospace analysts, one reason why Deutsche Aerospace has not pursued a second "northern" option of building a new *regional jet with Fokker of the* Netherlands and British Aerospace. Leadership of such a project would probably have fallen to BAe which already produces a successful jet in the regional range.

The preferred "southern" option could have implications for future defence aerospace projects too, especially if the French could be persuaded to join them. The British aerospace establishment has become increasingly frustrated working with the Germans on defence projects, partly because of German export restrictions. *The Eurofighter* aircraft is now almost certain not to include the Germans at the production stage, if it is produced at all.

Deutsche Aerospace would still favour European collabo*rative projects to include the* British and has even suggested establishing a five or six nation private consortium, based in London, called European Military Aircraft.

Pravda to brave market

Continued from Page 1

"We should be prepared for market conditions," Mr Frolov said.

"The newspaper should work as an entrepreneur in the sphere of information. Just to get newsprint, our suppliers now say we must guarantee them supplies of something else. It is the Russian style of market. The way out is only in what we have proposed to do."

Mr Frolov said that a meeting of the Communist Party Central Committee secretariat, on Tuesday, gave the green light to turn Pravda into an independent association, in *control of its own finances.*

Now it plans to step up its advertising content ("the advertising in Pravda is very expensive, and foreign companies pay a lot of money for it"), launch Pravda International, and start party television programmes. "We will rent a television studio and make our own films, which then will be shown *on national* television."

As for the international edition, it will be launched in co-operation with major newspapers in Britain, France, Japan and the US, he said.

"This Pravda title will be preserved. The title is very influential in the world," he said.

The truth (or pravda, in Russian) is, however, that the newspaper's international prestige, *just like its domestic* position, is inextricably linked to that of the party. Financial independence or not, the two will sink, or swim, together.

THE LEX COLUMN

Polly Peck's last flight

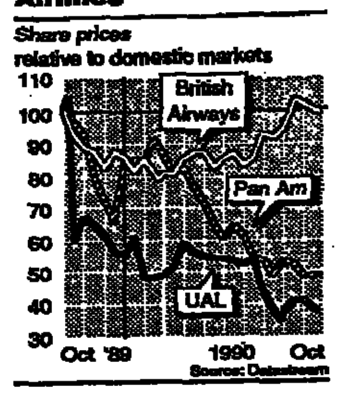
The suddenness of Polly Peck's collapse has rarely been equalled in British commercial history . Three months ago today, the value of its shares hit a peak of almost £2bn on *the London stock exchange. It* now seems quite possible that they are worthless. This seems to pose a stark choice; either the system of audited financial reporting wholly failed in its object, or something else went on which has yet to be disclosed.

What this does to the confidence of the stock market *remains to be seen. More cer*tain is the assumption that the banking community, already much more nervous of lending than it was even six months ago, will be more likely to pull the rug from businesses which might otherwise have scraped by.

The only way forward for shareholders seems to be to *seek some form of* legal redress against the directors themselves, *including Mr Nadir.* As for the department of trade and industry, it surely cannot now refuse to send in Companies Act inspectors to ascertain just what lies behind this calamity and to suggest ways of preventing a recurrence.

Airlines

Share prices relative to domestic markets



BT

The stock market is right to be perplexed about the Government's imminent review of the UK telecommunications industry. Yesterday British Telecom issued *its thoughts* on the subject; and it would be surprising if most professional investors, let alone the small shareholder, were left any the wiser. The jargon is confusing, the call for stronger competition and less regulation is little more than propaganda and there is scant recognition of the fact that the review is developing into a much more political affair than was imagined only a few months ago.

One has some sympathy with BT's complaint that the original loose regulatory rein at the time of privatisation has *been replaced by a more rigid* and at times inconsistent framework. However, the real problem is that six years on BT is still a plumpish monopoly. With a new Trade Secretary, and a Government desperate to make its mark ahead of the next election, it would be surprising indeed if BT's thoughts on the duopoly review formed the basis of the forthcoming green paper.

Of course, there is a school of thought which says that if the Government wants to sell its remaining stake in BT next year, it had better not undermine the business. But that is probably too simple a view. Assuming the Government sells 100 per cent of the regional electricity companies, it does not need to sell the rest of BT. What better way to win the hearts and minds of the electorate than by promising new competitors equal access to the network, provided they knock 15 per cent off the average domestic phone bill? Until the Government demonstrates that it is not harbouring such *radical ideas, BT's shares are* going to carry on underperforming.

Smiths Industries

Once a defence stock, always a defence stock. The market's response to Smiths' 7 per cent increase in profits and 11 per cent rise in dividend was characteristically cool. The company may have its devotees; but its shares have underperformed by 20 per cent over the last three years and the defence outlook will not reverse the trend, despite the *Gulf crisis.*

The results included a first half troubled by strikes and the restructuring of the aerospace business; the second half simply defied expectations. The medical business increased *profits by a quarter and* could do better again this year. Manufacturing was checked by depressed customers, but managed to maintain profits. *Early* remittances of US funds offset the impact of dollar weakness on profits by £3.4m, but the overall numbers showed a company benefitting from its concentration on a range of *high margin products.*

Nevertheless, given Smiths' dominant avionics business, its long-term fortunes will wax and wane with defence. Here the company is hedging its bets. It has already cut its workforce by 12 per cent; but there could be further lay-offs *in the UK if the peace dividend* does materialise. For now, the smaller civil side looks well supported by Boeing's 737 order book and bids are in for the 777 aircraft. Further out, the orderbook must be suscep*tible to the effects of recession.*

Smiths certainly has enough cash to make substantial acquisitions – £115m, or roughly 20 per cent of its market capitalisation. But on forecast earnings of £127m this year the shares are on a prospective p/e of 7 and a similar yield: distinctly low-flying.

Suez

The short sharp succession crisis at Compagnie de Suez is over, but many questions still linger. With a market worth of FFr42bn (£4.2bn), the *banque d'affaires* is too large for international investors to ignore, if only as a way into prize Suez assets like Victoire, one of Europe's *best-run insurance* companies. There is the appeal, too, of arbitrage. Perhaps Suez's 6.5 per cent shareholder UAP, the state-owned French insurer, harbours ambitions to control the group or to carve it up. And if the new Suez chairman, Mr Gérard Worms, really meant business yesterday in his talk about Hanson-ising his sprawling company and its subsidiary Générale de Belgique, the rewards could be substantial. But these are big ifs; not helped by yesterday's forecast of flat or falling earnings per share.

Take, first *of all*, structure and leadership. The elevation of Mr Worms does not look as tidy a solution as this year's appointment of the respected Mr André Lévy-Lang to run Suez's rival Paribas. One wonders *if Mr Worms will* have much time or scope for hands-on management. He inherits potential differences between his eight biggest shareholders and thorny issues, such as the cool relations between UAP's and Victoire's management.

Then there is the weakening European economic environment. The well-known problem area is FN, La Générale's small-arms subsidiary. Asset sales will be hard for Suez to make at good prices. It is worrying that so much of Suez is in construction and real estate-related, given continuing high French interest rates and slowing activity. One sees why Suez's shares are trading at a 30 per cent discount to net asset value.

WORLDWIDE WEATHER

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

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INSIDE

Profits fall by 24% at SKF

Third-quarter profits at SKF, the world's leading rolling bearings manufacturer, have fallen 24 per cent after financial items to SKr435m ($77.4m) ending a two-year period of profit improvement. The Swedish group's managing director, Mauritz Sahlin, blamed the decline on falling demand for SKF products from industrial customers, made worse by "the tense situation in the Middle East". Mr Sahlin said profits for 1990 as a whole would be less than the SKr2.46bn achieved last year. Page 21

Eurotunnel revival

Eurotunnel has come back from the dead. Today, more than 200 international banks are due to sign a new £2.1bn ($4.09bn) loans package, which must be completed before a £530m rights issue can go ahead next month. The cash is needed to finish the scheme, which has risen in cost from an initial estimate of £4.8bn in 1987, to £7.7bn — an increase of 60 per cent. Andrew Hill and Andrew Taylor report. Page 20

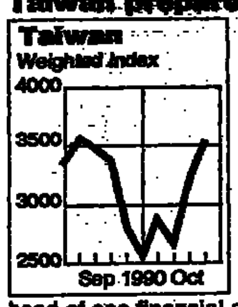
Anglo United sells stake in NSM

Anglo United, the UK fuel distributor and mining company, which last year borrowed £440m ($856m) to buy the much larger Coalite group, has sold its stake in NSM, the mining and building materials group to help reduce its debt. Anglo, headed by David McErlain (left), must repay £175m to its banks by the end of the year. Yesterday's placing of its 20.62 per cent stake in NSM raised £32m. Page 24

Suez to tighten its belt

Ten days after taking office, Gerard Worms, the new chairman of Compagnie de Suez, yesterday outlined his strategy for the French financial conglomerate. Suez would have to tighten the management of certain subsidiaries and would probably dispose of some assets, he warned. He added that Suez would remain the majority shareholder in Victoire, the French insurance company, and La Générale, the Belgian industrial holding company. Mr Worms announced a 42 per cent rise in group net profits to FFr2.7bn ($531m) at the halfway stage. Page 21

Taiwan prepares to open up



Taiwan's lethally volatile bourse may be opened to qualified foreign institutions by the end of the year. But at a time when the market is wallowing at 70 to 80 per cent below its February peak, a headlong rush from abroad seems unlikely. Among those suspicious of the Japanese government's motives is the head of one financial services consultancy in Taipei. "Foreign institutions are in business to make money, not to bail out the market," he says. Back Page

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
AG Ind & Verkr	850	+	30
Colonia Versich	1282	+	72
Lahmeyer	1064	+	54
Leifheit	715	+	40
Falls			
Industriekredit	268.5	−	13.5
Volkswagen	396	−	18
NEW YORK ($)			
Rises			
Computer Assoc	7⅛	+	⅜
UAL	96⅞	+	1½
Falls			
Anheuser Busch	38	−	⅝
Citicorp	11⅞	−	⅝
Cont.Airlines	4	−	1⅝
PARIS (FFr)			
Rises			
Dollfus Mieg	375	+	11
LONDON (Pence)			
Rises			
Countryside	81	+	8
De La Rue	270	+	9
Eurotunnel Uts	480	+	35
LASMO	438½	+	6½
McKechnie	201	+	11
News Intl	106	+	5
Pearson	535	+	13
Siebe	254	+	7
Thorntons	135	+	19
Tilbury Grp	495	+	22
Falls			
Argos	243	−	6

Gen Occident	598	+	19
Printemps Au	535	+	33
Union Immob Fr	580	+	18
Falls			
Bouygues	429	−	20
CMB Packaging	112	−	8.4
TOKYO (Yen)			
Rises			
Aoki Corp	940	+	61
N'matsu Cons	1370	+	180
Sato Kogyo	1800	+	80
Falls			
Honshu Paper	2160	−	310
Sanyo Elec	720	−	14
Sumitomo Mtl	493	−	12
Brit. Airways	147	−	7
Caird Grp.	47	−	7
Erskine Hse.	31	−	10
Goodhead	46	−	12
Iceland Frozen	295	−	5
Ivory & Sime	58	−	7
Lloyds	272	−	7
Marks & Spencer	232	−	10
P & O Defd.	509	−	10
Trafalgar Hse.	190	−	13

United takes the house by storm with transatlantic encore

Paul Abrahams and Nikki Tait look at the US carrier's latest deal

MR STEPHEN Wolf, the chairman of United Airlines, has been a busy man since he was given instructions a fortnight ago at a board meeting of UAL, the airline's parent, to implement a new strategy.

Since that meeting, Mr Wolf has placed the largest order for new aircraft in aviation history, launched Boeing's latest generation 777 aircraft, and made peace with the company's largest shareholder, Coniston Partners, which previously wanted to break up the airline.

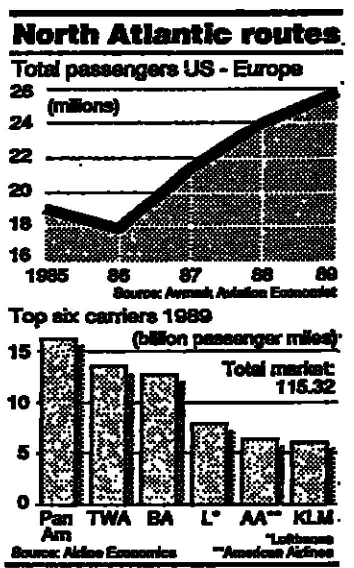
As an encore, on Tuesday Mr Wolf shook the world civil aviation industry by negotiating the acquisition of Pan Am's most valuable routes between the US and London, together with a couple of 747-200s, for the tidy sum of $400m.

The deal, which gives United all of Pan Am's facilities at San Francisco International Airport, Washington Dulles International Airport and London Heathrow, allows United access to the highly lucrative US-London routes. However, it also undermines United's marketing agreement with British Airways.

For United, the deal with Pan Am has considerable logic, although some US analysts view the $400m price tag as generous. It significantly enlarges the carrier's presence in Europe — and London, in particular — in one step, and avoids the piecemeal build-up of routes some of its competitors are attempting.

The number of United's non-stop flights to Europe triple with this deal, while its US gateways serving European destinations increase from two to six.

Admittedly, the transaction is still subject to regulatory approvals from the US Department of Transportation and the Department of Justice. As far as the former is concerned, the issues are largely those of competition, bilateral agreements with the UK, and general public benefit. The authorities, already considering the purchase by United's deadliest rivel, American Airlines, of TWA's Chicago-London route, declined to specify any deadline for its decision.



American Airlines said yesterday it would be raising serious concerns about the deal. However, most observers expect the deal will get through. The most persuasive argument, it is suggested, is the potential implications for Pan Am if it does meet obstacles. "The authorities just have to face up to fire-sales," said one analyst bluntly.

United's strategy is also based upon the assumption that the airline will be given permission by the UK Department of Transport to use Pan Am's facilities at Heathrow airport. However, the licences acquired by United stipulate London, rather than any particular airport.

Existing UK rules prevent any new scheduled carriers operating out of Heathrow. However, United does not have any operations there at the moment and, if the rules are strictly applied, the airline should be forced to operate out of the less fashionable airport at Gatwick. Such a decision was forced on American Airlines when it acquired TWA's Chicago/London route.

Mr Cecil Parkinson, the UK secretary of state for transport, is faced with a tricky dilemma. United argues that bi-lateral agreements between the UK and US allow for Pan Am to be replaced by another US carrier. It explains that Pan Am is pulling out of Heathrow and the status quo is not being altered.

However, if Mr Parkinson gives United permission to use Heathrow, he will face angry protests from airlines such as Cathay Pacific and American Airlines which have been prevented from using the airport under UK rules. If he refuses permission and United is told that it must operate out of Gatwick, the deal could unravel.

For British Airways' chairman, Lord King, the deal is a double blow. United has far better aircraft, marketing skills and computer systems than Pan Am and will provide the UK carrier with far more competition on the north Atlantic routes.

According to Mr Tim Coombs, an analyst at County Natwest, about 65 per cent of BA's operating surplus last year was provided by the airline's Atlantic operations.

Last night, Mr David Coltman, vice-president of United's Atlantic division, said that the airline would compete vigorously from the five gateways that the airlines share.

Lord King will also be upset by the effect the deal will have on his company's marketing arrangement — signed in 1987 — with United. The arrangement provides BA with access to the US carrier's domestic network.

During the marketing agreement's first two years, transfers between the two airlines increased by 30 per cent more than the overall growth in passenger numbers.

Mr Andy Chambers, an analyst at the Nomura Research Institute, says that BA may well be forced to make a significant change in its strategy following the United deal. BA's share price yesterday fell 7p to 147p in London.

For Pan Am, the move reflects further retrenchment, at the very least. On the one hand, the move is a financial necessity. The company is heading for the difficult fourth quarter/first quarter period; and before the full impact of higher fuel prices was known, at least one leading analyst was predicting that the carrier would need to generate at least $100m in asset sales to survive the winter. One analyst was even speculating that further disposals might flow from among Pan Am's remaining European routes.

Whether a viable, if much smaller, airline results from this process is a much-debated question. Pan Am and United have also signed a co-operative agreement on South American routes.

That said, the pessimists point out that American, a much stronger airline, has acquired the Eastern Airlines routes, making it a much stronger competitor on the Latin American front. "The prospects for recovery can't be very good," comments Paul Turk at Avmark consultancy, a gloomy forecast echoed elsewhere.

Meanwhile, the airlines affected by United's deal will be awaiting the conclusion of bilateral talks in Washington this November, when the regulatory hurdles will be discussed. Without the go-ahead of the governments, Mr Wolf's deal will fall apart.

Lex, Page 22; Continental may sell assets, Page 26

From one passenger to 25.8m in 63 years: Charles Lindbergh, the first to fly across the Atlantic, with the Spirit of St Louis

Hahn set to stay as VW chief until 1993

By Andrew Fisher in Frankfurt

MR CARL HAHN, the chief executive of Volkswagen, is almost certain to stay on for two years after reaching retirement age in 1991.

He will be staying on to oversee the German car group's drive into east Germany and eastern Europe and to guide it into the post-1992 EC market.

VW said yesterday that a special committee of its supervisory board, which appoints top management, had recommended that Mr Hahn, 64, stay on until the end of 1993.

The committee includes Mr Klaus Liesen, chairman of the VW supervisory board and head of the Ruhrgas utility, and Mr Franz Steinkühler, the deputy chairman and leader of the big IG Metall trade union. The proposal is therefore virtually sure to be accepted when the full board meets on November 16.

The decision was preceded by speculation that Mr Hahn, who has headed VW for nearly nine years, would be asked to continue in office; it is usual for German executives to step down at 65.

Not only has the group embarked on a DM5bn ($3.3bn) venture in east Germany, where he was born, but it is also keen to acquire a stake in Czechoslovakia's Skoda car maker.

VW is regarded as the front runner for Skoda by some German industrialists, but is up against a strong joint bid from Renault of France and Sweden's Volvo. Mr Hahn has taken a strong personal interest in VW's advance into east Germany — its Wolfsburg headquarters is next to the old German border. He regards the east German move as an important step in establishing a strong position in eastern Europe.

In its west German home base, VW is contending with considerable cost problems. Its South American operations have also been in difficulties.

In the first half of 1990, VW's pre-tax profits dropped by 16.5 per cent to DM1.16bn as a result of the strong D-Mark, tougher European competition, and weak markets in Brazil and Argentina. Lower taxes, however, left net profits 6.2 per cent higher at DM428m.

Among the candidates to succeed Mr Hahn were Mr Daniel Goeudevert, 48, the former head of Ford-Werke (Ford of the US's German subsidiary) who joined VW last year; and Mr Helmut Werner, 54, the Daimler-Benz director for trucks who previously headed Continental tyres.

Southland files bankruptcy petition as debt plan fails

By Barbara Durr in New York

SOUTHLAND Corporation, the parent company of the 7-Eleven convenience store chain, yesterday filed a bankruptcy petition with a "pre-packaged" reorganisation plan under Chapter 11 of the US bankruptcy code.

Southland's bankruptcy filing came after the highly leveraged company had failed to win approval for a debt swap from bondholders. Bondholders have repeatedly given a cold shoulder to the company's exchange offer, despite several extended deadlines. Under the new plan, pre-packaged by Southland and its creditors to speed up court approval, Southland's $1.8bn publicly traded debt will be halved.

The Dallas-based company, which has around 7,000 outlets and is the world's largest convenience retailer, was taken private in 1987 by the Thompson family, its founders, in a $4.9bn leveraged buy-out. Although there had been fears that a bankruptcy filing would jeopardise the company's stock purchase agreement with Ito-Yokado, its Japanese partner, Southland announced that this deal would go forward.

Under the agreement, Ito-Yokado will buy 70 per cent of Southland's common stock for $430m in cash. This is contingent on consummation of Southland's reorganisation by March 15.

In connection with the bankruptcy filing, made in the US Bankruptcy Court in Dallas, Texas, Southland said a syndicate of lenders had agreed to provide $400m in debtor-in-possession (DIP) financing, pending confirmation by the court of its reorganisation plan. DIP financing, common in bankruptcy cases, is an extension or expansion of a company's credit line. The company will use the funds as working capital. The syndicate is being led by Bankers Trust.

Southland has asked for a bankruptcy hearing on December 10, and if the reorganisation plan is approved security holders will receive about 25 per cent of the company's common stock. The Thompson brothers, whose father founded the company, will retain 5 per cent of the common stock.

At the final tally on Tuesday, security holders representing 89 per cent of the outstanding principal of debt and 90 per cent of the outstanding shares of preferred stock voted to accept the plan. If the court accepts it, it will be imposed on all remaining security holders.

Goodyear incurs $61.4m loss

By Alan Friedman in New York

GOODYEAR Tire & Rubber, the last surviving US-owned large tyres group, yesterday reported a $61.4m third-quarter deficit, the biggest quarterly loss in the company's 92-year history. The poor results were forecast by the company last month.

The troubled Akron, Ohio, company, which recently surrendered its world leadership to Michelin of France, also plans to lay off 3,000 employees by mid-1992, including a previously announced 1,180 in Europe.

Mr Tom Barrett, chairman, yesterday admitted concern about the depressed price of Goodyear's stock, which has been sold off steadily because of market worries about losses, and financial problems stemming from Goodyears' under-used $1.6bn California-to-Texas oil pipeline.

Yesterday, Goodyear's shares stood at $16⅛, up $¼. This was a third of their value a year ago, and 41 per cent lower than when Goodyear reported a $9.4m second-quarter loss at the end of July.

Goodyear's market capitalisation stands at just $941m, compared to $2.7bn at the end of the 1989 third quarter, when the company made a $70.5m net profit.

Goodyear has multiple problems. Although third-quarter sales rose by 8.2 per cent to $2.9bn, the company faces severe competitive pricing in the tyre replacement market, reduced car and truck production, and increased selling, administrative and general expenses. It also has to cut production to reduce inventories.

The third-quarter loss was worsened by $68.6m of pre-tax write-offs. Some $46.4m of these resulted from restructuring charges linked with the previously announced loss of 1,180 European jobs, the phasing out of medium and heavy truck tyre production at a Quebec plant and the rationalisation of operations in Canada and Argentina. A further $22.2m of charges were caused by environmental clean-up costs associated with discontinued operations.

Goodyear is meanwhile burdened by a $3.5bn debt load stemming in part from its loss-making All American Pipeline, an ill-fated project that was built without contracting any shipments with big California oil companies. The 1,750-mile pipeline was supposed to carry offshore crude from Gaviota, near Santa Barbara, to West Texas. Instead, it has turned into a costly white elephant and has been snubbed by California oil companies such as Chevron.

INTERNATIONAL COMPANIES AND FINANCE

NEWS IN BRIEF

Nokia shows sharp rise to FM425m

NOKIA, the Finnish electronic and data systems company, yesterday reported a sharp rise in eight-month group profit before tax and minority interests to FM425m ($113m) from FM256m a year earlier, writes Our Financial Staff.

Earnings per share rose to FM3 from FM1.7. Sales edged up to FM13.94bn from FM13.73bn.

Nokia said market demand strengthened in consumer electronics, mobile phones and telecommunications. This offset difficulties caused by tightening conditions in the computer sector and in some of the areas where Nokia's cables and machinery and basic industry groups operate.

■ **Proventus**, the Swedish investment company, has raised its equity stake in the French department store concern Nouvelles Galeries to 19.1 per cent by acquiring a 7 per cent interest from the New Zealand investment group Industrial Equity (Pacific) for about SKr400m ($69m), writes John Burton.

The deal includes an option to acquire another 3.1 per cent in Nouvelles Galeries from IEP subject to French government approval.

■ **Banque Nationale de Paris** has taken a controlling stake in French independent stockbroker Boscher, which has been hit by steep losses, Reuter reports.

The bank gave no details of the size of the stake or the terms of the deal, but Mr Alain Boscher, brokerage chairman, said the BNP stake would be 53 per cent. Boscher was one of Paris's five remaining independent brokerage houses.

■ **Smiths Industries**, hit by cuts in US and UK defence spending as well as industrial unrest affecting its dominant aerospace division nevertheless achieved a 7 per cent increase in pre-tax profits in the year ended August 4, writes Clare Pearson.

Profits at the company, which also has medical systems and industrial divisions, rose from £112m ($217m) to £120m, despite a fall in turnover to £673m from £704.9m.

France to allow Hachette control over La Cinq

By William Dawkins in Paris

FRENCH broadcasting authorities have given clearance for Hachette, the publishing and media group, to take control of La Cinq, the loss-making private television channel.

The decision, by the Conseil Supérieur de l'Audiovisuel, brings to an end an 18-month battle for control of La Cinq, which has suffered from the plunge in advertising revenues and poor quality that has plagued most of the French television industry.

Hachette will now take 25 per cent of La Cinq's capital, the maximum allowed under French law, though it can also count on the support of a consortium of friendly banks, with just more than 20 per cent.

Mr Robert Hersant, proprietor of the right wing newspaper, Le Figaro, is surrendering control because he is unable to sustain his share of losses totalling FFr2.5bn ($476m) since he took over in 1987. He will reduce his 25 per cent stake to 10 per cent and hand over chairmanship of the channel to Mr Jean-Luc Lagardère, chairman of Hachette.

This is a personal victory for the Hachette chairman, who has been seeking control of a television channel since he narrowly failed to get the franchise for TF1, the most successful private channel, on its privatisation in 1987. He believes La Cinq can be made to break even by 1994.

The CSA's ruling also goes against the advice of at least two government ministers who warned that France has one too many general interest television stations. Only two of the country's six main channels are profitable. La Cinq's competitors have also lobbied hard to have the channel closed or relaunched with a much reduced franchise.

However, in a gesture to the French television industry's problems, the CSA has asked Hachette to explore areas of co-operation between La Cinq and M6, a smaller private channel which is also losing money.

Hachette, reported a FFr29bn turnover last year, of which 6 per cent was concentrated on broadcasting and film production.

French take control of Italian machine tool maker

By William Dawkins in Paris

NUM of France, Europe's second largest producer of numerical controls for machine tools, has taken control of Servomac, the leading Italian maker of machine tool motors.

The acquisition, for an undisclosed sum, gives the French group better integration across all stages of machine tool production when its Japanese competitors are increasing their European manufacturing activities.

It comes in the wake of a European Commission study warning that Europe's machine tool makers, typically small companies, face a growing competitive threat from larger Japanese suppliers, able to reap economies of scale in research and development, marketing and production.

Num, a subsidiary of the Schneider electrical engineering group, last year had sales of FFr482m ($92m) – 25 per cent more than in 1988 – on which it made a FFr38m net profit. Servomac has a FFr100m annual turnover and 125 staff. This is the French group's first significant takeover since its acquisition nine years ago of Guttinger, Switzerland's main producer of numerical controls.

Num is fourth in the world market and the largest independent survivor in a French machine tool industry where German and Japanese companies have merged with or taken over most big players, including Ernault-Somua, part of Toyoda, and Premcam, part of Amada of Japan.

SKF down by 24% to SKr435m in third quarter

By Robert Taylor in Stockholm

SKF, the world's leading rolling bearings manufacturer, yesterday reported a fall of 24 per cent in third-quarter profits (after financial items) to SKr435m ($75m) compared with the same period of 1989.

Mr Mauritz Sahlin, managing director, said the deterioration was due to falling demand made worse by "the tense situation in the Middle East".

The setback brings an end to a period of improvement that began more than two years ago. As a result income (after financial items) was little changed for the first nine months of 1990 at SKr1.78bn compared with SKr1.79bn.

Nine-month sales rose 14 per cent to SKr21.1bn with nearly half the improvement due to SKF's acquisition last March of Chicago Rawhide, the US maker of fluid sealing devices for automotive and machinery applications.

The company forecast continuing weakened demand for the rest of 1990, with ensuing cost increases.

As a result group profits for the fourth quarter will be lower than the SKr684m (after financial items) in the 1989 period.

Mr Sahlin said SKF's 1990 profits would be less than the SKr2.46bn achieved last year. The company is having to cut production as a result of falling demand.

Profits in rolling bearings, which account for about three quarters of SKF's sales, rose slightly to SKr1.49bn during the first nine months from SKr1.44bn a year earlier while sales increased by 8 per cent to SKr16.82bn.

But profits in the tools division fell to SKr69m from SKr94m over the January-September period. SKF blamed "the sharp decline in the Brazilian market" but added that "a slight recovery can now be seen" in that market.

There was a 17 per cent improvement in sales in the group's component systems area to SKr2.82bn but profit for the first nine months remained little changed at SKr245m against SKr248m.

AFLOAT in the City: Mr Erik Tonseth (left), president and chief executive of Kvaerner, in London yesterday for the announcement that the Norwegian mechanical engineering, shipbuilding and offshore contracting concern was applying for a listing of its "free", or unrestricted A and B, shares on London's International Stock Exchange, writes Andrew Baxter.

Mr Tonseth is pictured with Mr Steinar Draegebo, managing director of Kvaerner Govan Shipyard (centre), and Mr Jan Magne Heggelund, group finance director.

The free shares are open to non-Norwegians, but the B shares do not have voting rights. Mr Tonseth said about 20 per cent of Kvaerner's shares were held in the UK.

The company, Norway's largest employer in the UK following its 1988 takeover of the Govan shipyard on the Clyde, is listing its shares to increase its international exposure. The listing is being sponsored by Enskilda Securities.

Worms warns Suez strategy may include the sale of assets

By George Graham in Paris

MR GERARD WORMS, the new chairman of Compagnie de Suez, yesterday spelt out his strategy for the French financial conglomerate for the first time since taking office 10 days ago after a protracted succession battle.

Announcing group net profits in the first half of this year estimated at FFr2.7bn ($514m), Mr Worms warned that Suez would have to tighten management of several subsidiaries and was likely to dispose of assets.

Net profits were 42 per cent higher than in the same period of 1989, thanks largely to a gain on the resale of shares in Victoire, the French insurance company of which Suez took control last year.

In what he described as his "profession of faith", Mr Worms laid out his hopes of reconciling the interests of Suez's estimated 800,000 small shareholders with those of the managers of the group's operating subsidiaries, and with those of institutions with large minority stakes in these subsidiaries. Subsidiaries include Victoire and Société Générale de Belgique (La Générale), the Belgian industrial holding company.

The new chairman made it plain that Suez intended to remain the majority shareholder in Victoire, despite the scarcely concealed desires of Union des Assurances de Paris, one of Suez's largest direct shareholders with 6.5 per cent and the largest minority shareholder in Victoire with an interest of 34 per cent, to increase its influence.

He also said Suez would remain in control of La Générale, denying reports that the company's Belgian minority shareholders wanted to regain control, and that there were no plans for reducing Suez's 100 per cent ownership of Banque Indosuez, its main merchant banking subsidiary.

It remains clear, however, that the management tensions, particularly at Victoire and La Générale, have not been resolved.

Mr Patrick Ponsolle, Suez's new operating officer, said the company's unconsolidated pre-tax profits had more than doubled to FFr2.85bn in the first half. This included FFr2.0bn of capital gains, comprising mainly a gain of FFr1.84bn on the replacing of some of Suez's stake in Victoire.

He said the company had, however, been unable to produce consolidated figures because of delays in the retreatment of results from some of its subsidiaries and doubts over the exact level of minority participations.

The estimated net consolidated profit of FFr2.7bn would have been FFr300m higher but for a change in the accounting treatment of deferred tax liabilities, and is expected to be finalised in the second week of November.

All Suez's main operating subsidiaries – Indosuez, Victoire and especially La Générale – have announced weak profits in the first half and a poor outlook for the second.

Mr Ponsolle said, however, that Suez had only FFr800m of debt, and FFr2.3bn of liquid investments, and had no need to tap the market for cash in the next 18 months.

He warned, however, that it was not possible to extrapolate the first half's results for the whole of 1990, because of the large number of exceptional items and because of the likely need to make provisions on some of Suez's equity stakes. A decline in earnings per share could not be ruled out, he said.

The group would have to adopt a "rigorous management of its assets", Mr Ponsolle said.

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SGS defers plan to enter D-Ram chip market

By Michael Skapinker

SGS-THOMSON, the Italian-French semiconductor manufacturer, has had to defer plans to enter the dynamic random access memory (D-Ram) market because it has not been able to find a partner to share the investment costs.

Mr Pasquale Pistorio, the group's president, said last March that he wanted to enter the D-Ram market by the end of this year. He believes the group has to become a volume producer of D-Rams, the basic building block of the electronics industry, if it is to maintain its technological expertise in more advanced products.

SGS-Thomson, which is jointly-owned by Thomson CSF, the French state-controlled electronics company, and IRI/Finmeccanica, the Italian state-owned holding group, had hoped to persuade another semiconductor company to share the costs of D-Ram production. It has had talks with chip makers in the US, Europe and Japan. The company's preference, however, is a partnership with Siemens of Germany, the only European-owned manufacturer of D-Rams. The two companies have not yet agreed terms.

SGS-Thomson has made D-Ram sample products at its plant in Texas. With a new D-Ram factory costing $1bn or more, however, SGS-Thomson is unlikely to begin volume production on its own. The company made a small net profit of $3.2m last year on sales of $1.3bn.

European-owned companies have had difficulty establishing themselves as producers of memory chips. Philips of the Netherlands said last month that it was ending pilot production of another type of memory chip, one-megabit static random access memories (S-Rams). Siemens has achieved impressive D-Ram sales and accounts for about 20 per cent of the European market. Siemens' D-Ram operation is, however, believed to be losing money.

SGS-Thomson said yesterday it was committed to entering the market and would continue talks with potential partners.

S African gold producers feel the pinch

As costs per ounce exceed the metal price, remedies must be found, writes Philip Gawith

"In our position you have to generate as much money as possible, even if it means growing vegetables and selling popcorn and peanuts. That's the situation we're in."

You would not think it, but Mr Alan Field, a consulting engineer in Gengold, the goldmining subsidiary of the South African Gencor group, was referring to the parlous financial condition of the marginal Stilfontein gold mine.

Stilfontein, situated in the western Transvaal near Potchefstroom and managed by Gengold, is not alone in its woes. Mr Rob Gillan, an analyst at Frankel Kruger, the South African stockbroking firm, estimates that 23 mines producing approximately 21 per cent of South Africa's annual gold production have production costs per ounce in excess of the current gold price of $373 an ounce. If capital expenditure is taken into account the figures worsen.

Mr Clem Sunter, chairman of Anglo American's gold and uranium division, stressed last week that the industry's profit margins had been very seriously squeezed in the past six months. The reasons, by now, are familiar. The gold price in 1986, Mr Sunter observed, averaged about R27,000/kg. Currently it is in the region of R30,000/kg. Over this same period, he said, the price of stores had risen by between 60 and 100 per cent and wages had increased by about 100 per cent.

The problems of a low gold price used to be alleviated by a deterioration in the value of the currency, the rand, so that gold revenues held up. Over the course of the past year, however, this pattern has changed.

Dr Chris Stals, governor of the Reserve Bank, the country's central bank, has made it very clear that he will defend the value of the rand. Although the rand has slipped badly against most major currencies during 1990, it has shed less than 1 per cent of its value against the dollar, the unit in which most gold sales are denominated, since the end of 1989.

Thus gold producers have lost their buffer against a weak gold price. In these straitened circumstances, drastic remedies are required. Mr Sunter spoke of the need to "transform the gold mining relationship", suggesting that major stakeholders such as employers, unions, contractors and suppliers would have to revise traditional ways of doing business if their survival was to be ensured.

Mr Gary Maude, managing director of Gengold, recently noted that in the 18 months to the end of June, Gengold had shifted from producing 87 tons of gold a year with 94,000 workers to producing 84 tons of gold with 71,000 workers.

Stilfontein is a prime example of a mine which has had to undergo drastic surgery to have a hope of survival. Working costs, which were R38m ($15m) in the June quarter, will have to be cut to R33m, says Mr Maude. Retrenchments inevitably play a major part in this process. The workforce, currently about 3,000, has shrunk by 1,000 in less than four months and it is anticipated that a further 500 jobs will have to go. "We are looking at everybody who is not producing kilograms of gold – that is the bottom line," says Mr Field.

This, however, is only part of the story. Retrenchment costs money and there is also the problem, says Mr Johan Louw, the mine's general manager, that "you don't retrench today if you want to do something tomorrow". Another difficult balance to be struck relates to development. Costs must be cut, but if no development is done then there will eventually be nothing to mine. "You crucify yourself if you don't develop," says Mr Louw.

Accordingly, Stilfontein's directors authorised recently that R5m be spent on developing the Ventersdorp Contact Reef (VCR) to establish further reserves.

A significant managerial task is deciding what permutation of mining options to pursue to maximise revenue. The mine's strengths are its large reserves of low-grade ore in the VCR, and reserves of surface dump tonnage which can be treated.

> A significant managerial task is deciding what permutation of mining options to pursue in order to maximise revenue

Its weaknesses are that its higher grade Vaal Reef reserves are virtually exhausted and mining Vaal Reef pillars (areas previously mined and later abandoned) is expensive. The total mining cost of Vaal Reef is R423 per sq m compared with R315 per sq m for VCR.

While the development of VCR will continue, Mr Louw says at a gold price of R29,000/kg, as opposed to R34,000/kg, opening up the Vaal Reef pillars looks more attractive, so the mine is stepping up activity in this regard.

Increased dump tonnage is also being processed as, at a cost of R23,500/kg gold produced, it is a profitable operation, even if gold yields are only a fraction of those from underground.

A big problem the mine faces is its high overheads, primarily the result of a large water content which requires that 58m litres of water be pumped out of the mine each day. The pumping bill alone is more than R1m/month, 38 per cent of the mine's power bill, and the state has been approached to offer assistance. The Marais Commission, which recently investigated state aid to marginal mines, recommended that this should only be considered where, ultimately, the mine was likely to become self-financing.

In the end the challenge is how to cut costs while maintaining or increasing gold production. Without the latter there is no way of paying overheads. Management remain resolutely optimistic.

Perhaps optimism is the only answer to an alternative too ghastly to contemplate. It remains, though, a considerable achievement amid adversity.

NEWS IN BRIEF

Profits rise at Fuji Electric

FUJI Electric, a leading Japanese electric machinery maker which is part of the Furukawa industrial machinery group, yesterday reported a 12.7 per cent rise in unconsolidated pre-tax profit for the first half to September, to Y10.72bn ($8.36bn) from Y9.51bn in the year-earlier half, AP-DJ reports from Tokyo.

Sales rose 13.7 per cent to Y276.5bn from Y243.3bn. Operating profit jumped 32.9 per cent to Y14.6bn from Y11bn while net income rose 16.8 per cent to Y6.5bn or Y9.18 per share, from Y5.6bn or Y7.88.

■ PT International Nickel Indonesia, a subsidiary of Inco of Canada, the world's largest nickel producer, said yesterday that its net earnings for the first nine months of this year fell to $61.3m, a decrease from $145m for the same period last year, AP-DJ reports from Jakarta.

"The decline was due mainly to lower nickel prices, the impact of which was partially offset by increased deliveries of nickel in matte," PT Inco said.

The average realised prices during the period were $3.10 per lb against $5.21 in 1989.

It said net earnings for the third quarter of 1990 stood at $19.6m, a decline from $56.1m in the year-ago period.

The downfall in the third quarter was due mainly to reduced deliveries, the company said.

■ PT Unggul Indah, Indonesia's only maker of the detergent ingredient alkylbenzene, said net profits for the nine months to September 30 1990 rose 80.73 per cent to 30,334m rupiah from Rp16,784m in 1989, Reuter reports from Jakarta.

The company said earnings per share on the unaudited accounts rose 54.36 per cent to Rp460 on the basis of 66m shares after a 10 per cent bonus issue from Rp298 on 56.4m shares before the company went public.

■ Pasminco, the Australian base metals producer, expects profits for the year to June 30 1991 to be lower than the $153.7m net profit for the 1989/90 year, Reuter reports from Sydney.

Kumpulan Guthrie plans to become property group

By Lim Siong Hoon in Kuala Lumpur

KUMPULAN Guthrie, Malaysia's largest plantation group, proposes to diversify from rubber and palm oil into property development by reconstructing the vast land holdings held by its various subsidiaries.

This will result in the creation of one of the country's largest property groups, Guthrie Properties Development Holding.

The centre-piece of its proposal is five pieces of plantation land owned by Highlands and Lowlands, Guthrie's 51 per cent-owned subsidiary publicly quoted on the Kuala Lumpur and London stock exchanges.

Under the proposal, Highlands and Lowlands is to transfer the land, valued at M$440.1m (US$163m), to its own property development unit.

Guthrie then plans to acquire a 51 per cent stake in the unit through the sale of three of its plantation subsidiaries to Highlands and Lowlands.

The M$339.1m sale will be by M$110.2m in cash and the balance in equity, which subsequently will be transferred to Guthrie Properties.

Guthrie Properties will also inherit two more pieces of plantation land from other subsidiaries of its parent for M$18.2m. This brings the total worth of the reconstruction scheme to M$357.7m.

Slip expected for Singapore Air

SINGAPORE Airlines, the national carrier, hit by surging fuel costs and declining traffic growth, is likely to unveil lower half-year profit growth when it announces results on Sunday, analysts predict, Reuter reports from Singapore.

The group's half-year net profit ended September 30 1989, rose 34.4 per cent to S$610.3m (US$356m).

But analysts predict the airline's net profit will grow at between 10 and 16 per cent in the year ended March 1991.

Mr Cheong Choong Kong, the airlines managing director, told a business group meeting: "While we would continue to make a handsome profit by anyone else's standards, it would not be easy to maintain our good performance of the past."

Standard Chartered to incorporate in Malaysia

By Lim Siong Hoon

STANDARD Chartered, one of the oldest offshore banking groups in Malaysia, is to incorporate its local banking operations in compliance with a banking law issued last October.

The law, the Banking and Financial Institutions Act, requires offshore banks, 16 in all, to be incorporated in Malaysia by September 1994.

Standard Chartered, second largest in terms of assets to the Hongkong and Shanghai Banking Corporation, is the only bank which, since the promulgation of the law, has publicly announced its compliance.

Mr A.G. Rogers, the new chief manager, said that negotiations were continuing between London and Bank Negara, the central bank, over details of the incorporation.

The apprehensions, expressed previously by bankers about the change, have been over the equity valuation, the size of the divestments, if any, and adoption of local partners that are acceptable to both the parents and the central bank.

The Malaysian Ministry of Finance has previously acknowledged that the retention of 100 per cent foreign equity ownership is acceptable to it. But the banks would have none of the status given to domestic banks that permits diversification and expansion of branch networks.

Petroleum side bolsters Du Pont

By Karen Zagor in New York

DU PONT, the biggest US chemicals company, yesterday unveiled slightly lower third-quarter net income with strong gains from the company's petroleum business helping to overcome the depressing effects of a weak US economy and continuing softness in the world chemical industry.

At the same time, it has increased its quarterly dividend from 40 to 43 cents a share.

In the three months to September 30, net income eased 3 per cent to $533m from $547m. Thanks to fewer shares outstanding and an extraordinary gain of 8 cents a share in the latest quarter, earnings-per-share were unchanged at 79 cents. Sales in the quarter advanced 16 per cent to $9.9bn from $8.6bn.

For the first nine months, net income amounted to $1.84bn or $2.71, down 8 per cent from $2bn or $2.82 a year earlier. Sales increased by 9 per cent to $28.96bn from $26.54bn.

Mr Edgar Wollard, chairman, said results from the petroleum business benefited from higher crude oil prices, "which will provide a hedge to rising feedstock costs in our chemical operations. At the same time, earnings in several of our chemical businesses continued to be adversely affected by the slowdown in the US economy."

Du Pont's modest falls are in sharp contrast to Dow Chemical and Union Carbide, whose third-quarter earnings fell by 52 and 35 per cent respectively, largely because of their large exposures to the volatile commodity chemical business and higher costs for raw materials due to the Gulf crisis.

Monsanto, another large US chemical company, has postponed releasing its third-quarter results from Tuesday until tomorrow, prompting speculation that it may announce a significant restructuring and write-offs.

After-tax operating income from Du Pont's petroleum business surged to $273m in the latest quarter, excluding one-time items, from $98m. Du Pont attributed the improvement to strong European refined product margins and higher worldwide crude oil prices.

Du Pont's other major business segments reported flat or lower operating income in the quarter. Earnings from its polymer operations were unchanged at $107m, excluding a one-time gain in the latest quarter. Profits from fibres operations plunged to $72m from $180m, reflecting lower volume and a decline in prices, while the coal business slipped to $39m from $41m because of higher costs and slightly softer prices. The industrial products segment saw earnings drop 30 per cent to $108m.

Squeezed margins hit Mobil and Shell Oil

By Martin Dickson and Alan Friedman in New York

TWO LEADING US oil companies, Mobil and Shell Oil, suffered substantial earnings drops in the third quarter.

Both companies stressed that, contrary to popular belief, they had not benefited from the invasion of Kuwait and the subsequent steep rise in the price of crude.

Rising profits upstream had been more than offset by squeezed margins downstream, where the higher cost of products had been only partially reflected in price increases to customers.

Mobil said its earnings dropped 29 per cent to $379m or 89 cents a share, on revenues up to $16.3bn from $13.4bn. It added that special items had lifted the third-quarter result by $11m, some $41m lower than a year ago.

Excluding these factors, earnings were $268m, down 29 per cent.

Exploration and production earnings of $380m were $175m higher, but marketing and refining earnings were just $5m, some $361m lower, while chemicals produced $85m, down $36m.

Shell, the US subsidiary of the Anglo-Dutch company, reported a 33 per cent decline in earnings to $227m on revenues up to $6.2bn from $5.4bn.

Exploration and production earnings were $203m, up $67m. But oil products earnings dropped $93m to $13m.

The company said its gasoline prices rose only 19 cents a gallon in the quarter, while average raw material crude oil costs rose by 39 cents.

Exxon's earnings hold steady in third quarter

By Martin Dickson in New York

EXXON, the world's largest oil company, yesterday reported unchanged third-quarter earnings, with higher upstream profits from the summer's sharp rise in crude prices being exactly offset by lower margins in its downstream operations.

Other large US oil companies, anxious to dispel the popular belief that they have profited greatly from the Gulf crisis, have reported similar pressures and very mixed results, depending on the relative importance of upstream and downstream operations to their businesses.

Exxon said third-quarter net income was $1.07bn or 85 cents a share, the same as in the third quarter of 1989, although revenues rose to $29.02bn from $23.66bn.

Mr Lawrence Rawl, the chairman, said: "Prices for petroleum and chemical products did not keep pace with rising costs of raw materials during the period. Consequently, the additional income from higher crude prices was offset by lower earnings in refining, marketing and chemical operations."

He added that in the two months following the start of the Middle East crisis, refining and marketing in the US had operated at a loss.

Third-quarter earnings from exploration and production totalled $930m, up $267m from a year ago, mainly because of a $6.30 a barrel rise in the worldwide realised price of crude. US earnings were up $161m and foreign earnings up $106m.

Refining and marketing earned $246m, down $101m from a year ago, on a 2 per cent rise in sales volume. The US accounted for $70m of the decline, and the drop in profits would have been even greater if it were not for a $98m gain on foreign asset sales, up from $15m a year ago.

Chemicals produced earnings of $65m, down $185m from 1989. The company said that while demand remained strong, increased industry capacity and higher raw material costs had compressed margins. Sales were up 3 per cent.

For the first nine months, net income was $3.45bn or $2.73 a share. Excluding provisions relating to the Exxon Valdez tanker disaster in Alaska and a gain from a new accounting standard, earnings for the first nine months of last year were $3.37bn, or $2.64 a share.

Sun Micro shares slip to year's low

By Louise Kehoe in San Francisco

SUN Microsystems' share price fell sharply yesterday to a 12-month low of $15, down from $20¼ on Tuesday when the company reported disappointing first-quarter earnings after the close of trading.

Concerns about the computer workstation manufacturer's financial performance were compounded by the announcement yesterday by LSI Logic, a leading US semiconductor manufacturer, that it was selling chips designed to build "clones" of Sun workstations to more than 40 computer manufacturers.

Several Sun clones are expected to be introduced at a computer trade show in Las Vegas next month and they are expected to undercut Sun's workstation prices.

LSI Logic is licensed by Sun to produce the Sparc microprocessor that is at the heart of its most popular products.

Sun has licensed Sparc to several chip makers to try to establish the chip as a desktop computer standard to compete with IBM-compatible personal computers. Now, however, the workstation market leader appears likely to face stiff competition.

The emergence of Sparc clones comes as Sun is struggling to control internal problems, which the company said delayed shipments for as long as four to five weeks during its first fiscal quarter.

A combination of difficulties caused the sales delays, Sun said.

During the quarter, it established a new US distribution centre and reorganised its US sales force.

In addition the company said that shifting demand had forced it to adjust component deliveries.

Net income for the first quarter jumped to $26.1m, or 26 cents a share, from $5.2m, or 7 cents last time.

Revenues for the first quarter were $677m, a 26 per cent increase over the $538.5m reported in the same period a year ago.

Analysts had anticipated earnings of about 45 cents a share for the quarter.

Sharp rise at Avon Products

By Karen Zagor

AVON PRODUCTS, the world's biggest manufacturer of cosmetics and toiletries, yesterday reported strong third-quarter earnings on modestly higher sales.

Net income was $44.6m or 59 cents a fully-diluted share, more than 28 per cent above the $34.6m or 46 cents reported in 1989. Sales rose 6 per cent in the quarter to $830.8m from $785.1m.

The results were at the high end of analysts' expectations and shares in Avon added $⅞ to $24¾ by mid-day yesterday.

Avon's income before taxes and minority interest rose 18 per cent in the quarter to $79.8m from $67.8m.

For the first nine months of 1990, net income advanced 34 per cent to $107.3m from $80.3m a year ago. Primary earnings per share jumped 46 per cent to $1.42 from 97 cents on sales which grew 3 per cent to $2.33bn from $2.27bn.

Pre-tax earnings from US operations grew 11 per cent on essentially flat sales while pre-tax profits from Avon International jumped 22 per cent on a similar increase in sales.

Mr James Preston, chairman and chief executive, said: "Our strong third quarter reflects continued profit improvements in the Americas, continued reduction in interest expenses and a lower tax rate. We expect 1990 to be another excellent year for Avon, both in terms of earnings increases and of further strengthening of the balance sheet."

Avon, which came under sharp criticism from investors last year for not fully realising shareholder value, has made great strides in improving its earnings in spite of less impressive sales growth.

According to analysts at Oppenheimer in New York, Avon is well positioned to weather a recession, since direct-selling businesses tend to be recession resistant.

Mr Preston said Avon is negotiating to sell about half of its 60 per cent stake in a Japanese subsidiary and should know within a few weeks if it will be able to complete a sale this year. Earlier this year, Avon had arranged to sell its holding in Avon-Japan for $450m in cash and royalties, but the deal fell through in April.

Continental Air may sell assets

By Nikki Tait in New York

CONTINENTAL Airlines, the US carrier, said yesterday that, having studied possible options after fuel price jumps, asset sales may be on the cards.

But it denied that it planned to seek protection from its creditors under Chapter 11 of the bankruptcy code.

However, it declined to say what assets might go up for sale, or whether these would include any of the company's routes.

The airline, in which Scandanavian Airlines System now has an 18.4 per cent holding, confirmed it had been "examining prudent steps to take" in the light of fuel cost increases. There was a Continental board meeting on Monday, and one US newspaper suggested that the Chapter 11 option was worked on furiously over the weekend.

Continental did not comment on this specifically, but said that Chapter 11 "is not one of the options today". Its shares, however, still slipped $1⅛ to $4⅛ by midsession in New York.

Standard & Poor's, the US rating agency, announced yesterday that it was downgrading the rating on the holding company's $379m of senior debt, to triple C from single-B-minus. Debt ratings on some of the Continental Airlines subsidiary's senior and subordinated debt were also downgraded.

S&P said Continental's operating performance had improved relative to the rest of the industry, but that higher fuel prices and sluggish demand would more than offset those positive trends over the near-term.

Net income soars 42% at Compaq

By Louise Kehoe

COMPAQ Computer, the US personal computer manufacturer, reported a strong third quarter, easing widespread concerns about a slowdown in the US market for its computers.

Net income for the quarter was $124m or $1.38 a share, a 42 per cent gain on 1989's corresponding $87m or $1.01. Sales rose 26 per cent to $863m, from $683m in the same period last year.

Income in the latest quarter was boosted by 20 cents per share by a gain from the increased value of Compaq's shareholdings in Conner Peripherals, a disk drive manufacturer.

Net income for the first nine months of 1990 amounted to $320m or $3.62 a share, compared with $254m or $2.96 in 1989.

Sales were $2.6bn, up from $2.1bn.

"Excellent sales growth during this quarter can be attributed to continued European strength and increased momentum in the North American market," said Mr Rod Canion, president and chief executive.

Compaq's third-quarter unit shipments in North America increased by 20 per cent over the same quarter last year, the company said. Sales revenues were up 5 per cent.

European and international sales comprised 53 per cent of Compaq revenue during the quarter and grew by 54 per cent compared with the same period last year.

Compaq's share price rose sharply yesterday from a Tuesday close of $43¾ to trade at $46⅛ at mid-day.

McDonald's looks forward to 'good year'

By Barbara Durr

McDONALD'S, the world's largest fast food chain, has reported third-quarter earnings per share of 67 cents, up 13.5 per cent from 59 cents per share in the year-ago quarter.

Sales during the past quarter rose 9 per cent to $4.9bn, from $4.5bn a year earlier.

Despite a weakening US economy, the company said it expected 1990 to be "another good year" with earnings in line with investor expectations.

Mr Edward Rensi, McDonald's president, said that while the company was not recession proof, it was "somewhat recession-resistant".

For the nine months ending September 30, sales totalled $13.9bn, an 8 per cent increase over last year's $12.8bn. But domestic operating margins were under pressure, declining during the first nine months to 17.9 per cent from 18.1 per cent last year.

Slower growth in the domestic market has in part been offset by holding down expenses and controlling capital expenditures. International sales continued to be strong.

Sears, Roebuck down by 30%

By Barbara Durr in New York

SEARS, Roebuck, the world's largest retailer, yesterday reported a 30 per cent fall in earnings in the third quarter, with net income declining to $179.2m or 53 cents a share, from $257m or 75 cents a year ago.

Group revenues for the quarter ended September 30 rose 5.9 per cent to $13.96bn from $13.18bn last year.

The major factor behind the sharp decline was the significantly lower sales of property by the Coldwell Banker Real Estate Group, which posted income of just $1.8m, against $61.2m. The fall, which knocked 20 cents off per-share earnings, was attributed to the soft US real estate market.

The company's Allstate Insurance Group also reported a sharp fall, stemming largely from continued claims from catastrophe losses. Allstate's income for the latest quarter fell to $108m on revenues of $22.5bn from $126.1m on revenues of $22.1bn last year.

In Sears' core retailing business, the Merchandise Group reported income of $89.2m, up from $82.9m a year ago. Revenues increased to $7.83bn, against $7.59bn last year.

Mr Edward Brennan, Sears chairman, who recently took direct control of the Merchandise Group, said the performance of several retailing segments was encouraging, although catalogue sales, home fashions and children's and men's apparel were sluggish.

Dean Witter Financial Services Group lifted income to $57.2m from $35.7m. Sears' Discover Card operations were also up, with income of $29.5m compared with $23.3m in 1989.

Sears' nine-month net income fell 42 per cent to $523.4m or $1.53, compared with $906.4m or $2.55 a share last year.

Discontinued operations contributed net income of $10.5m compared with $62.7m last time. Revenues in the first three quarters rose 4.7 per cent to $40.4bn from $38.6bn in 1989.

Mine closure hurts Cominco

By Bernard Simon in Toronto

COMINCO, the Canadian metals and fertiliser producer, saw earnings plunge 66 per cent in the third quarter largely due to the closure of the Pine Point lead and zinc mine in the Northwest Territories and an operating loss at its big smelter at Trail, British Columbia.

Net income dropped to C$11.6m (US$10m) or 13 cents a share, from C$34.2m or 42 cents a year earlier. Sales rose slightly to C$335m. The figures include a C$6m charge for interest paid on loans for the Red Dog zinc mine in Alaska, which recently began commercial operations.

Operating profit from mining and metals fell to C$44.1m from C$89.8m, but the fertiliser division returned to a C$2.4m profit from a loss of C$2.1m, largely because of higher volumes.

Cominco said C$30.5m of the drop in mining income was due to the closure of Pine Point, in which it has a 50.1 per cent interest. Open-pit mining at Pine Point ceased in 1988 but substantial concentrate sales took place from stockpiles last year.

The Trail facility has suffered a series of setbacks, including the shutdown of a brand-new lead smelter and lower zinc output stemming from modifications to the zinc smelter.

The new QSL lead smelter is due to come on stream next March. Meanwhile, the old smelter is operating at about 80 per cent of former capacity.

Output of concentrate at Red Dog, the world's biggest zinc mine, reached 90 per cent of planned levels in the third quarter.

The final shipment of concentrate for the 1990 shipping season left the mine at the beginning of October, bringing the total for the year to 320,000 tons.

Cominco said that the long-delayed Snip gold mine in north-west British Columbia was due to start production next January.

Earnings for the first nine months slipped to C$51.9m or 62 cents from C$175.5m or C$2.16 for the period last year.

Surge in oil price gives Nova a boost

THE GULF crisis has given a badly-needed fillip to Nova Corp, the Calgary-based petrochemicals producer which has been selling assets to lighten a heavy debt burden, writes Bernard Simon.

In contrast to a disappointing performance earlier this year, Nova's third-quarter earnings jumped to C$42m (US$36m) or 12 cents a share from C$7m or 1 cent. Revenues rose to C$1.18bn from C$1.09bn.

However, nine-months earnings, at C$134m, are still well below last year's C$212m.

Following the recently-completed sale of the prized rubber division to the German chemicals group Bayer, long-term debt shrank to C$950m on September 30 from more than C$2bn three months earlier. Nova said it would record a small gain on the C$1.25bn sale in the fourth quarter.

The rocketing oil price helped Nova's oil and gas interests, which include a 43 per cent stake in Husky Oil.

Stronger selling prices and improved margins also boosted third-quarter earnings from the petrochemical division.

Buffett builds Wells Fargo stake

MR WARREN BUFFETT, the best-known investor in the US and one of the most successful, has built a 9.8 per cent stake in Wells Fargo, the West Coast banking group, writes Martin Dickson.

Mr Buffett has long been regarded on Wall Street as the nearest thing to a stock-picking genius, although of late some of his investment decisions have provoked criticism.

The bank said it did not know how long Mr Buffett had been an investor. Any stake of more than 5 per cent has to be publicly announced and Mr Buffett's holding came to light through a routine filing with the Securities and Exchange Commission.

INTERNATIONAL CAPITAL MARKETS

Mixed signals on Gulf leave trading in limbo

By Deborah Hargreaves in London and Karen Zagor in New York

THE WORLD'S major government bond markets were in a state of limbo yesterday after conflicting signals from the Middle East failed to give any clear sign of a resolution to the crisis.

Many investors are beginning to believe that their earlier optimism over the drop in oil prices came too soon.

■ IN JAPAN, the Ministry of Finance put Y700bn of government debt up for sale with its new issue of 10-year bonds which carry a coupon of 7.2 per cent. The auction came against a background of falling prices which dealers believe will make the new bond more attractive.

GOVERNMENT BONDS

However, there is unlikely to be a rush for the bonds – the results of the auction will be announced this morning – since the new bonds will not form a benchmark issue as the market had been hoping. The yield on the 119 bond edged upwards to 7.82 per cent as prices fell in an uneventful day of trading.

The price of the December futures contract fell to 91.07 from Tuesday's close of 91.50 as dealers hedged their purchases of new bonds.

■ US Treasuries drifted higher during the afternoon on short-covering after losing ground in the morning as the bond market continued to focus on the US budget machinations and the growing supply which will be auctioned after a budget package and a debt ceiling are enacted.

In late trading, the Treasury's bellwether 30-year bond was up ⅛ at 99⅞, yielding 8.77 per cent, after slipping about ⅛ at mid-session. The one-year issue was ⅛ higher for a yield of 7.8 per cent.

The Federal Reserve did not intervene in the open market and Fed funds, the rate at which banks lend to each other, were changing hands at 7⅝ per cent.

The bond market is becoming increasingly nervous about the growing amount of supply it will have to digest once a budget is in place. Yesterday the Treasury postponed the two-year auction, after cancelling the three-month, six-month and one-year auctions.

Thanks to the budget fiasco and the lack of debt-limit legislation, the Treasury has not been able to auction more than $61bn in short-term issues. Once the budget is passed, there will be a flood of supply.

Furthermore, the Treasury is due to announce the terms of its quarterly refunding auction next week.

There was little reaction to the durable goods orders data for September, which fell 1.7 per cent. Although the decline was larger than expected, it came mainly from a fall in transportation orders.

The bond market also failed to react to higher oil prices. As hostilities mounted in the Middle East, crude oil prices started to climb, and the December crude oil contract ended the day $1.71 a barrel up at $31.08.

■ THE WEST German bond market saw another quiet day of trading dominated largely by technical factors.

Investors have ignored economic fundamentals over the past few days and Tuesday's warning of possible higher interest rates by Mr Hans Tietmeyer at the Bundesbank and yesterday's remarks on tax increases by Chancellor Helmut Kohl, had no effect on the market.

Cash prices were fixed slightly lower with the 9 per cent 10-year Bund fixed at 100.23 to yield 8.96 per cent after Tuesday's level of 100.30 and a yield 8.95 per cent.

■ IN THE UK, prices for gilt-edged securities rose slightly in a day of featureless trading amid a lack of direction to the market.

The report on the UK recession by the British chambers of commerce underlined the market's conviction that the economy had drifted into recession and the report had little effect on prices.

A benchmark gilt maturing in 2003/07 edged up by four ticks to 102⅛ as traders said the market remained paralysed by the lack of direction to events in the Middle East.

● For technical reasons the Benchmark Government Bonds table is not available.

British Land cuts size of syndicated loan

By Deborah Hargreaves

BRITISH Land, one of the UK's largest property companies, has cut the size of a £200m syndicated loan facility to £175m. The loan was arranged by National Westminster and Royal Bank of Canada Europe.

The cut in the loan size comes after the financing met a disappointing reception in syndication amid current volatile market conditions. Several other loans have been cut in size or been repriced as the cost of funding grows for most companies.

The other terms of British Land's deal remain the same.

Spain urged to diversify instruments

SPAIN'S stock markets must diversify their range of instruments if they are to make an impact on national investor habits, according to Mr Luis Carlos Croissier, chairman of the National Stock Market Commission (CNMV), Reuter reports from Paris.

He reported that share investment by private investors peaked at Pta281bn in 1987 and was followed by disinvestment of Pta240bn in 1988 and Pta427bn last year.

"If there is a characteristic that sets our stock market apart from others in Europe, it is the minimal role played by collective funds and institutional investment," he said.

Mr Croissier said Spain's four stock exchanges needed to keep developing new products and to strengthen the market for fixed-income instruments.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 24

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99⅝	100⅛		9.01
ALBERTA PROVINCE 9 3/8 95	600	100⅞	101⅛	−⅛	9.15
AUSTRIA 8 1/2 00	400	93¾	94	−⅛	9.56
BANK OF TOKYO 8 3/8 96	100	95¼	95¾	−⅛	9.51
BELGIUM 9 1/8 92	400	100⅞	101¼		8.59
BFCE 7 3/4 97	150	92⅞	93¼		9.26
BNP 8 5/8 94	300	98⅝	99		9.05
BP CAPITAL 9 5/8 93	150	101⅞	102¼	+⅛	8.88
CANADA 9 96	1000	100¼	100⅝		8.92
CARCO 9 1/4 96	650	97¼	97⅝		9.91
CCCE 9 1/4 95	300	101	101⅜		8.94
COUNCIL EUROPE 8 96	100	95⅛	95½		9.11
CREDIT FONCIER 9 1/2 99	300	99⅝	100	−⅛	9.55
DENMARK 0 98	250	49⅛	49⅞		9.49
DENMARK 8 1/4 94	150	97⅝	98		9.00
ECSC 8 1/4 96	193	95¼	95⅝	−⅛	9.27
EEC 7 1/4 93	250	97⅛	97½		8.61
EIB 7 3/4 96	250	94⅛	94½		9.10
EIB 10 97	250	103¼	103⅝	−⅛	9.29
ELEC DE FRANCE 9 98	200	99⅛	99½		9.15
EUROFIMA 9 1/4 96	100	99⅞	100⅜	−⅛	9.26
EXPORT DEV CORP 9 1/2 98	150	100⅛	100⅝	−⅛	9.44
FINLAND 7 7/8 97	200	92¾	93⅛	−⅛	9.45
FINNISH EXPORT 9 3/8 95	200	100⅞	101¼	−⅛	9.18
FORD MOTOR CREDIT 9 1/2 93	300	100¼	100⅝		9.40
GEN ELEC CAPITAL 9 3/8 96	300	100¼	100⅝		9.29
GMAC 9 1/8 96	200	97⅜	97⅞	−⅛	9.75
HALIFAX 9 1/2 93	200	100⅞	101¼		9.07
IBM WORLD TRADE 7 5/8 93	150	96	96⅜		9.17
IND BK JAPAN FIN 7 7/8 97	200	91⅞	92¼		9.63
INTER AMER DEV 7 5/8 96	200	92⅞	93¼	−⅛	9.24
ITALY 8 1/2 94	1500	98⅛	98½		8.92
JAPAN DEV BK 8 94	150	97⅜	97¾		8.86
KANSAI ELEC PWR 10 96	350	101⅞	102¼	−⅛	9.51
LTCB 8 5/8 93	150	99	99½		9.07
NEW ZEALAND 8 93	100	98	98⅜		8.85
NIPPON CRED BK 9 3/4 93	150	101⅜	101⅞		9.19
NIPPON TEL & TEL 9 3/8 95	200	101	101⅜	−⅛	9.06
NORDIC INV BANK 9 93	200	100¼	100⅝		8.75
OLYMPIA & YORK 8 1/4 96	435	83½	85⅛	+⅛	12.44
ONTARIO HYDRO 11 5/8 94	200	106¼	107⅝	−⅛	9.12
OSTER KONTROLLBANK 8 1/8 93	200	98⅞	99¼		8.62
PRUDENTIAL RLTY SECS 0 99	365.216	45⅛	46⅛		9.97
QUEBEC HYDRO 9 3/4 98	150	100	100½	−⅛	9.74
QUEBEC PROV 9 98	200	97⅛	97⅝	−⅛	9.54
SAINSBURY 9 1/8 96	150	98⅝	99	−⅛	9.49
SAS 10 99	200	99⅞	100⅛		10.05
SBAB 9 1/2 95	500	101⅛	101½		9.16
STATE BK STH AUST 9 1/4 93	100	100⅝	101⅛	−⅛	9.02
SUMITOMO BK CAP MKT 9 3/8 93	150	100⅝	101⅛		9.07
SWEDEN 8 1/8 94	150	97	97⅜		9.09
SWEDISH EXPORT 9 5/8 93	100	101⅞	102⅛		8.66
TOKYO METROPOLIS 8 1/4 96	200	95⅝	96¼	−⅛	9.22
WORLD BANK 8 3/8 99	1500	94⅞	95¼	−⅛	9.44
WORLD BANK 8 3/4 97	1500	98⅛	98⅝		9.24
XEROX CORPN 8 3/8 96	100	92¼	93½		10.17

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96¼	96⅝	−⅛	9.18
AUSTRIA 6 98	400	83½	83⅞	+⅛	9.14
CNT 6 1/8 98	200	82⅝	83	+⅛	9.28
CREDIT FONCIER 6 3/4 99	500	85⅜	85⅞		9.27
DEUTSCHE BK FIN 5 5/8 96	750	85⅞	86	+⅛	8.93
EEC 5 3/8 93	300	92⅝	92⅞	+⅛	9.08
EIB 6 1/8 96	300	86⅛	86⅝		9.24
EIB 6 7/8 95	300	91⅛	91⅝	−⅛	9.14
EUROFIMA 6 1/4 98	400	83½	83⅞	−⅛	9.38
FELDMUEHLE FINANCE 8 99	200	91⅛	91⅝		9.37
FERRO DEL STAT 5 3/8 93	500	92⅝	92⅞		9.17
IND BK JAPAN FIN 5 5/8 96	200	84⅛	84⅝		9.44
INTER AMER DEV 7 1/4 99	300	89⅛	89⅝	−⅛	9.10
LUFTHANSA INT FIN 5 7/8 98	500	82⅛	82⅝	+⅛	9.28
QUEBEC HYDRO 6 3/4 99	300	85⅛	85½	−⅛	9.34
SWEDEN 6 1/8 98	300	83⅛	83⅝		9.24
WORLD BANK 0 15	2000	13⅛	13½	−⅛	8.38
WORLD BANK 5 3/4 96	300	85⅞	86⅛		9.24
WORLD BANK 7 1/8 95	500	93	93½		9.18

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AIR CANADA 6 1/4 PERP	300	57½	57⅞	+⅛	10.86
ASIAN DEV BANK 6 10	100	81⅛	82		7.89
AUSTRIA 4 5/8 98	100	85	85½	+1	7.35
COUNCIL EUROPE 4 3/4 98	250	85¼	85⅞		7.43
EEC 5 1/2 00	100	86⅛	87¼		7.49
EIB 5 3/4 93	100	97	97½		6.89
FINLAND 5 3/8 95	150	93¾	94		6.89
GENERAL MOTORS 7 1/2 95	100	101¼	102⅛	−⅛	7.02
JAPAN DEV BK 5 1/2 94	100	94	95		7.61
MOUNT ISA FINANCE 5 3/4 94	100	79½		−½	13.35
NEW ZEALAND 4 7/8 99	200	82	82½		7.91
QUEBEC HYDRO 5 08	100	74½	75	−½	7.70
SKANDINAVISKA ENSK 6 1/2 95	100	98⅛			6.91
WORLD BANK 5 03	150	82		+1	7.20
WORLD BANK 7 1/4 92	100	100½	101½	+¼	6.90

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	90000	91¼	92	−⅛	7.72
CANADA 4 3/8 92	80000	94⅞	95⅛		7.74
CREDIT FONCIER 5 1/4 94	20000	91	91½	−⅛	7.86
DENMARK 7 96	40000	97⅛	97⅝	−⅛	7.66
EIB 4 5/8 94	40000	90⅞	91⅛	−⅛	7.66
GENERAL ELECTRIC 5 3/4 93	35000	95⅛	95⅝	−⅛	8.00
INTER AMER DEV 7 1/4 00	30000	98⅛	98⅝	−⅛	7.48
ITALY 5 3/4 92	150000	97⅛	97⅝	−⅛	7.89
KANSAI ELEC PWR 4 5/8 94	60000	90⅝	90⅞	−⅛	7.76
NIPPON TEL & TEL 5 7/8 96	50000	91⅞	92⅛	−⅛	7.63
NORWAY 5 1/8 95	50000	90⅝	90⅞	−⅛	7.68
SWEDEN 5 5/8 95	20000	91½	92	−⅛	7.76
WORLD BANK 6 3/4 00	50000	95⅛	95⅝	−⅛	7.48

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91⅝	92⅝		10.06
KREDIETCORP 7 93 LFr	1000	92¾	93¾		10.09
WORLD BANK 8 96 LFr	1000	91¾	92¾		10.00
AMRO BANK 6 1/4 92 Fl	150	94½	95⅛		9.60
RABOBANK 5 3/4 93 Fl	150	92	92½		9.68
ALBERTA PROVINCE 10 92 C$	500	96⅞	97⅜	+⅛	12.04
BCE INC 9 5/8 93 C$	300	94½	94⅞		12.42
BELL CANADA 10 5/8 99 C$	150	91⅛	92⅛		12.22
BRITISH COLUMBIA 9 1/4 93 C$	150	94	94½	+⅛	12.27
EIB 10 1/8 98 C$	130	92	92½	+⅛	11.78
FORD CREDIT CANADA 10 94 C$	100	91⅛	92⅛	−⅛	12.89
GENERAL ELECT CAP 10 1/4 93 C$	175	95¼	96¼	+⅛	11.98
MONTREAL TRUSTCO 8 1/2 92 C$	100	93⅛	94¼	−⅛	13.56
ONTARIO HYDRO 10 7/8 99 C$	500	93	93⅜	+⅛	12.22
QUEBEC PROV 10 1/2 98 C$	200	90⅛	90⅝		12.47
ROYAL TRUSTCO 10 1/4 93 C$	100	94	94½		13.05
SWEDEN 9 3/4 93 C$	250	95⅛	95⅝		12.03
AUSTRIA 7 3/8 93 Ecu	125	92⅞	93⅞	+⅛	10.82
CNT 7 3/8 93 Ecu	250	92	93		10.94
CREDIT LYONNAIS 9 96 Ecu	125	91⅛	92⅜		11.01
DENMARK 7 5/8 96 Ecu	250	87⅛	88⅛		10.66
EEC 7 5/8 94 Ecu	200	92⅛	92⅞		10.42
EIB 10 97 Ecu	1125	98⅝	98⅞		10.28
ITALY 10 3/4 00 Ecu	1000	101⅛	101⅞		10.45
SWEDEN 7 1/2 93 Ecu	250	91½	92¼		10.91
BMW FINANCE 14 1/2 92 A$	100	101⅛	101⅝	+⅛	13.44
COUNCIL EUROPE 13 93 A$	50	99⅛	100¼	−⅛	13.16
EKSPORTFINANS 12 3/8 95 A$	75	98⅞	99⅜	+⅛	12.66
FORD CRED AUST 13 93 A$	50	98	98⅝	+⅛	13.94
ICI 15 1/2 92 A$	100	101⅞	102⅛		13.94
MCDONALDS CANADA 15 95 A$	100	103¾	103⅞	+⅛	13.94
NAT AUSTRALIA BANK 14 3/4 94 A$	150	102⅝	103⅛	+⅛	13.63
STATE BK NSW 14 1/4 99 A$	100	101⅛	101⅞	+⅛	13.96
VOLKSWAGEN INTL 15 94 A$	100	103⅞	104⅜	+⅛	13.49
ABBEY NATL TREAS 13 3/8 95 £	100	102⅛	102⅝	+⅛	12.61
BARCLAYS JERSEY 9 1/2 93 £	250	93⅛	93⅞	+⅛	12.74
BRITISH GAS 12 3/4 95 £	150	102⅛	102½	+⅛	12.04
DEUTSCHE BK FIN 11 94 £	225	96⅛	97	+⅛	12.28
EIB 10 97 £	300	90⅛	90⅝	+⅛	12.32
FORD CREDIT FUNDING 9 5/8 93 £	50	92⅞	93⅜	+⅛	13.24
INTER AMER DEV 11 3/8 95 £	75	97⅛	97⅞		12.14
ITALY 10 1/2 14 £	400	86	86½		12.33
LAND SECS 9 1/2 07 £	200	73½	73⅞		13.60
LEEDS PERMANENT 9 1/4 93 £	50	92⅛	92⅝	+⅛	12.95
NORWAY 10 1/2 94 £	200	95⅛	95⅝		12.28
ROLLS-ROYCE 9 5/8 93 £	150	92⅞	93⅛	+⅛	12.93
SAINSBURY 10 7/8 93 £	100	96⅛	96⅝		12.95
SKANDINAVISKA ENSK 13 1/8 95 £	100	101	102⅛		12.76
WORLD BANK 11 1/4 95 £	100	97⅛	97⅝	+⅛	12.02
ABBEY NATIONAL 0 96 NZ$	100	45⅛	46⅜	+⅛	14.11
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	99⅝	100⅛	+⅛	13.20
AIDC 7 7/8 93 FFr	600	93	93⅜		10.77
CREDIT LYONNAIS 10 95 FFr	2000	97⅛	97⅝	−⅛	10.72
EURATOM 7 5/8 98 FFr	500	84⅛	84⅝		10.70

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.94	100.03	13.9375
ALBERTA PROVINCE 1/32 95	500	99.89	99.99	8.4063
ALLIANCE & LEICS 0.08 94 £	300	99.73	99.78	15.0800
BANCO ROMA 0.03 01	200	93.53	94.28	8.4675
BANCO SANTO SPIRITO 93	200	99.39	99.49	8.4375
BELGIUM 1/16 97 DM	500	99.97	100.08	8.8125
BFCE -0.02 96	350	99.53	99.63	8.4175
BNP 05	300	97.69	97.94	8.0000
BRITANNIA 1/10 96 £	150	99.69	99.74	15.1000
CITICORP 1/4 98	500	84.54	87.02	8.3125
CITIZENS FED 0.15 96	100	99.42	99.83	8.2125
COMMERZBK O/S FIN 93	200	99.47	99.57	7.9375
DENMARK -1/8 96	1000	98.89	98.99	8.0000
FERRO DEL STAT 94	200	100.04	100.15	8.2500
HALIFAX 1/10 94 £	200	99.91	99.96	15.1000
MITSUI FIN ASIA 1/8 96	100	99.85	99.95	8.1875
MORGAN (JP) 1/4 97	250	98.43	99.12	8.5000
NAT WEST FIN 3/16 05	400	95.04	95.76	8.3125
NEW ZEALAND 93	500	99.27	99.37	8.0625
NORTHEAST SAVINGS 1/10 96	150	99.41	99.95	8.1625
PORTUGAL 0.05 93	700	99.89	99.99	8.4875
QUEBEC PROV 01	300	97.04	97.16	8.1250
RENFE 98	500	99.33	99.45	8.5000
SOCIETE GENERALE 96	300	98.56	98.66	8.0000
UNITED KINGDOM -1/8 96	4000	99.88	99.91	8.2500
WELLS FARGO 1/16 94	150	95.33	96.50	8.1875

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	103½	104¼	+25.86
ASDA-MFI 4 3/4 02 £	100	1.64	108⅞	109⅞	+41.71
BURTON GROUP 4 3/4 01 £	110	3.15	101⅛	102⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	92⅞	93¼	+17.43
GOLD KALGOORLIE 7 1/2 00	65	1.0554	70⅛	71⅛	+23.37
GOODYEAR TIRE 6 7/8 03	150	80½	52⅞	54⅞	
GRACE (WR) 6 1/4 02	150	42⅛	69	70¼	+35.19
GRAND MET 6 1/4 02 £	100	6.58	92⅞	93⅞	+2.64
HAWLEY 6 02 PREF	400	1.91	95⅛	97	+27.63
HILLSDOWN 4 1/2 02 £	150	4.16	101⅛	102⅛	+60.14
INTL PAPER 5 3/4 02	200	68⅛	82⅛	83⅛	+17.07
LAND SECS 6 3/4 02 £	84	6.72	83⅛	84⅛	+8.23
MITSUBISHI BK 1 3/4 02	300	2727.1	75⅛	77⅛	−7.34
OGDEN 6 02	85	39.077	63⅛	64⅛	+43.85
PACIFIC DUNLOP 6 3/4 97	75	3.749	98⅛	99⅛	+2.50
TEXAS INSTRUMENTS 2 3/4 02	300	82¼	76¼	78	
THORN EMI 5 3/4 04 £	103	7.45	101⅛	102⅛	+20.18

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Chile central bank in deal out of court with BBV

By Leslie Crawford in Santiago

THE Central Bank of Chile and Banco de Bilbao Vizcaya (BBV), Spain's largest bank, have reached an out-of-court settlement over an alleged fraud involving two debt-equity swaps worth $45.2m.

The central bank brought a legal suit against BBV in August this year and the negotiations appear to have been aimed at limiting the damage to the Spanish bank's international prestige.

A senior central bank official said BBV admitted it had breached regulations which govern debt-equity contracts, but it had not done so with the intent of defrauding the Chilean government.

The Spanish bank has agreed to pay $8.6m in damages and a $500,000 fine to the central bank. In return, the central bank has dropped criminal proceedings against two high-ranking BBV executives. The agreement is expected to be finalised this week.

However, the central bank official said a legal investigation would continue to track down the missing debt conversion monies and to establish any criminal responsibilities.

Because foreign investors obtain an implicit subsidy by buying Chilean debt at a discount on the secondary market and exchanging it for pesos at near face value to invest in Chile, the central bank monitors these transactions closely. More than $3.4bn of debt has been converted into equity investments since Chile began its debt-conversion programme in 1985.

BBV broke Chile's debt-conversion rules, known as Chapter XIX of the Compendium of Foreign Exchange Regulations, by failing to disclose that it was acting on behalf of a third party. Chapter XIX expressly forbids this.

The central bank has also taken legal action in two other suspected cases of debt-equity fraud, neither involving BBV. The first involves a $27m debt-equity swap. According to central bank officials, this is a carbon copy of the BBV case.

The second action is against a US company which transacted a debt-equity conversion worth $14m. Chase Manhattan Bank, which acted as the company's financial agent, discovered irregularities in the contract and brought this to the attention of the central bank last week.

Citicorp to raise dividend rate on issue

By Martin Dickson in New York

CITICORP, the largest commercial bank in the US, yesterday had to take the unusual step of raising the maximum dividend rate on an issue of its auction-rate preferred stock to attract buyers to the issue.

The new rate for the $100m of securities was set at 12.50 per cent, far higher than the 9.75 per cent allowable before, and way above the 9.4 per cent rate Citicorp was required to pay on Monday to sell a $75m issue of money market preferred.

With some $950m of auction rate preferred stock outstanding, Citicorp uses this market for only a small part of its funding requirements. However, the sharp rise in the rate of interest underlines growing concern among investors about the financial health of Citicorp and other New York money centre banks which face growing portfolios of bad or doubtful debts.

The preferred stock, bought mainly by corporations, is repriced at short intervals and each issue has an interest rate cap, expressed in terms of a percentage of the double-A commercial paper rate. Under the auction process, there must be enough bids at rates below the cap to match offers to sell.

If there are not enough bids, an auction is deemed to have failed and the issuer faces the choice of redeeming the issue or paying existing holders the maximum rate, which freezes them into the stock.

Until now, the cap on Citicorp's stock was 120 per cent of commercial paper rate, and Monday's $75m issue came close to reaching that level.

To prevent a failed auction today, the bank raised the cap to 200 per cent of the commercial paper rate, which could allow the dividend rate to go as high as 16 per cent. For technical reasons this will take the form of an offer of new securities for the old ones.

Ms Nancy Newcomb, the bank's chief funding officer, said it would do the same on Friday with another $100m issue.

ALLIANCE + LEICESTER
Alliance & Leicester Building Society

£300,000,000
Floating rate notes 1994

For the three months 24 October 1990 to 24 January 1991 the notes will bear interest at 13.955% per annum. Interest payable on the relevant interest payment date 24 January 1991 will amount to £175.87 per £5,000 note and £3,517.42 per £100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

BRITISH AIRPORTS FINANCE B.V.
JPY 15,000,000,000
Floating Rate Guaranteed Notes due 1996

In accordance with the terms and conditions of the notes, notice is hereby given that for the first interest period from October 25, 1990 to January 25, 1991 the notes will carry an interest rate of 8.35% (including the margin of 0.10%).

The coupon amount payable on January 25, 1991 will be JPY 213,389.

BANQUE GENERALE DU LUXEMBOURG S.A.
Agent Bank

BRITANNIA BUILDING SOCIETY
£150,000,000
Floating Rate Notes Due 1996

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months Interest Period from (and including) 24th October, 1990 to (but excluding) 24th January, 1991, the Notes will carry a rate of interest of 13.975 per cent per annum. The relevant Interest Payment Date will be 24th January, 1991. The Coupon Amount per £10,000 will be £352.25 payable against surrender of Coupon No. 17.

Hambros Bank Limited
Agent Bank

NOTICE OF REDEMPTION
To Holders of
U.S. $250,000,000 General Motors Acceptance Corporation
10.25% Notes due November 15, 1992

Notice is hereby given that pursuant to Paragraph 5 of the Notes and Paragraph 6(b) of the Fiscal and Paying Agency Agreement dated as of November 15, 1985, between General Motors Acceptance Corporation (the "Company") and Chemical Bank, Fiscal and Principal Paying Agent, the Company hereby gives notice of its election to redeem all of its 10.25% Notes due November 15, 1992. The date fixed for redemption shall be November 15, 1990, and the Notes will be redeemed at the price of 100.5% of the principal amount thereof together with accrued interest to the date fixed for redemption. After November 15, 1990, the Notes will cease to accrue interest. The Notes will be redeemed upon presentation and surrender together with all appurtenant coupons, if any, maturing on and after the date fixed for redemption at the principal office of the Fiscal Agent, Chemical Bank, 180 Strand in London or at the principal offices of Chemical Bank in Frankfurt, Banque Bruxelles Lambert S.A. in Brussels, Banque Generale du Luxembourg S.A. in Luxembourg, Bank of Montreal in Toronto and Union Bank of Switzerland in Zurich.

General Motors Acceptance Corporation

Dated October 25, 1990

ALLIANCE + LEICESTER
Alliance & Leicester Building Society

£112,000,000
Subordinated Floating Rate Notes due 1998

For the three months 24th October, 1990 to 24th January, 1991, the Notes will carry an interest rate of 14.5875% per annum with an interest amount of £18,384.25 per £500,000 Note, payable on 24th January, 1991.
Listed on the Luxembourg Stock Exchange.

Bankers Trust Company, London Agent Bank

INTERNATIONAL CAPITAL MARKETS

Upturn gathers speed in floating-rate note issuance

By Simon London

TWO CONTRASTING deals in the dollar and Ecu sectors of the Eurobond market yesterday provided further evidence of a widely-anticipated upturn in floating-rate note issuance.

Both issues were syndicated on a fixed-price reoffer basis, the US-style syndication technique whereby underwriters agree to trade only at an agreed price until the lead manager announces the syndicate has broken. Because the syndicates on yesterday's deals were not broken during active trading hours, market reaction was hard to gauge.

INTERNATIONAL BONDS

Instituto De Credito Oficial (ICO) launched a $450m floating rate issue via Goldman Sachs, guaranteed by the Kingdom of Spain. The seven-year issue pays 5 basis points over the six-month London inter-bank offered rate.

This compares to secondary market spreads of around Libor flat on equivalent eight-year paper issued by Renfe, the Spanish state railway company. During the course of yesterday, spreads on the Renfe paper widened to about 3 basis points over six-month Libor, suggesting that this latest issue had set new levels in the sector.

Launched at par, the bonds were offered in the grey market at the fixed re-offer price of 99.92. The syndicate will be broken this morning.

At the other end of the spectrum in terms of size, Isveimer, the Italian state-backed development agency for southern Italy, offered an Ecu100m five-year deal through Credit Suisse First Boston. The paper pays a spread of 15 basis points over six-month Libor.

Although the borrower is backed by a consortium of banks and the Italian government, the issue does not carry a credit rating or a guarantee. The small size of the issue may reduce liquidity, although the spread compares favourably to bigger Ecu deals. Launched at par, the bonds were offered in the grey market at the fixed reoffer price of 99.90. The syndicate was broken at 5pm.

The European Investment Bank followed the World Bank into the long-dated fixed-rate D-Mark sector, with a DM400m issue via Deutsche Bank. The seven-year issue pays a 9 per cent coupon.

Issued at 101⅛, the bonds traded down to 99.65 bid, inside full fees of 1⅞ per cent. At these levels, the issue yields 3 basis points over seven-year German government bonds.

Bankers Trust acted as issuer and arranger for an innovative Y1bn two-year structured private placement for a single Japanese institutional investor.

The bonds pay ⅛ per cent over three-month Libor for the first three months, before reverting to a fixed 12 per cent coupon – linked to the West Texas Intermediate oil futures contract by an undisclosed formula.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Inst.D'Credito Oficial(d)†♦	450	(d)	100	1997	23/13bp	Goldman Sachs
D-MARKS						
EIB(a)♦	400	9	101⅛	1997	1⅞/1⅛	Deutsche Bk
ECUs						
Isveimer(e)†♦	100	(e)	100	1995	20/10bp	CSFB
SWISS FRANCS						
N.East Fin.Japan(a)♦	100	7⅛	101½	2000	2⅝/2⅜	Banque Paribas (Suisse)
Fuji Seiko(b)★★♦	35	5½	100	1995	-	HandelsBank Natwest
Jaleco(c)★★§	30	6⅛	100	1995	-	Nomura Bk (Switz)
Ando Corp(a)★★♦	30	8	100	1995	-	Dai-Ichi Kangyo Bk

★★Private placement. §Convertible. ♦With equity warrants. †Floating rate note. ♦Final terms. a) Non-callable. b) Early redemption 20/5/93 101¼% decreasing by ¼% semi-annually. c) Put option 31/3/93 108⅛% to yield 9.27%. d) Coupon pays 5bp over 6-month Libor. Non-callable. e) In form of fiduciary issue by Kredietbank S.A (Lux.) representing undivided interests in a loan made to Isveimer. Coupon pays 15bp over 6-month Libor. Non-callable.

Matif to widen contract on Ecu bonds

By Deborah Hargreaves

MATIF, the French futures exchange, has said it expects to widen the specifications of its new Ecu bond futures product before next June. The exchange launched the contract last Thursday but, currently, only bonds issued in Ecu by the French government are eligible for delivery against it.

Mr Gilbert Durieux, chief executive of the exchange, said the Matif expected to widen the contract to include Italian government Ecu bonds for delivery before listing a contract maturing in June next year. The contract will eventually be widened to include most issues of Ecu bonds by sovereign states or supranational institutions with maturities from six to 10 years.

The exchange has set up a committee to give advice on how to introduce Ecu paper into the bond contract.

Mr Durieux said that Italian Ecu bonds which were trading at a spread of 30 basis points over the French issue, saw the spread narrow to almost nil after the launch of the futures contract. He said this meant there would probably be little need to weight the Italian paper with a spread when including it in the contract.

Defaults on corporate bonds in US 'to hit peak'

By Deborah Hargreaves

US CORPORATE bond defaults will finish the year at a 20-year high, predicts Moody's Investors Service, the US credit rating agency.

The firm cites a slowing US economy, precarious levels of debt and a continuing credit crunch as reasons for the large number of bond and commercial paper defaults this year.

The agency has noted 48 bond defaults in the first three quarters of the year, affecting $12.3bn of debt, compared with 33 defaults in the same period last year. Defaults are now running at an annualised rate of 7.2 per cent which is the highest since the 1970s.

The agency points out that more than three quarters of the bond defaults were by companies in the industrial sector and the rest were financial institutions.

Many of the bond defaults came from companies that had taken on huge debt burdens to finance leveraged buy-outs and other financial restructurings in the 1980s. These include Federated Department Stores and Allied Stores which defaulted on nearly $3bn of bonds in January and Southland, the food-chain operator, which defaulted on nearly $1bn of bonds in March.

Moody's says the unusually high incidence of default among industrial and financial companies is also partly due to the sharp fall in available sources of funding for lower credits. If financing sources such as the junk bond and highly-leveraged bank-lending markets were available to these companies, many issuers might have been able to avert default.

In the commercial paper market, the agency reports five defaults in the first three quarters of the year, affecting just over $300m outstanding in the US, European and French commercial paper markets.

Defaults on commercial paper were previously highly unusual since market discipline caused issuers to leave the market once their financial strength began to deteriorate. Between 1972 and 1988, only one issuer defaulted on commercial paper.

Japan investment trust glory fades

Michiyo Nakamoto on the struggle to contend with a bear market

After years of spectacular growth, Japanese investment trust companies are bracing themselves for a hard slog ahead.

The collapse of the Tokyo stock market this year and market reforms, including the opening of the market to foreign management groups this month, are shaking investment trust management companies out of many years of complacency.

The massive fall in stock prices this year has wiped out nearly 2½ years' worth of the asset growth of Japanese investment trust funds.

Overall, net assets have fallen about 18 per cent in less than a year, from Y58,600bn ($465bn) at the end of last year, to Y48,200bn at the end of August. The figure is likely to be worse for September after the market's sharp plunge in that month.

Investment trust funds have suffered a flood of redemptions while sales have been dismal this year. By the end of the year, the value of investment trust funds is expected to fall below the level of the previous year for the first time in 24 years.

This is a dramatic change from the glory days of the 1980s when investment trust companies in Japan saw assets grow nearly 10-fold as Japanese stock prices soared.

"For most of the past 15 years, the Tokyo stock market only went up," says Mr Akira Miyauchi, general manager of the Market Research and Development Department at Nomura Securities Investment Trust Management, the industry leader. "Our younger fund managers do not know what a bear market is," he points out.

While the market was booming, there was little need for fund managers to distinguish themselves with creative products or better performance. "As long as investors put money in the market, they all won," says Mr Kazuma Tamai, managing director of Kokusai Investment Trust Management. But the market's recent weakness means that "more competitive products will have to be developed".

In addition to the reversal in their fortunes, management companies face greater competition through reforms that are being introduced by the financial authorities, particularly the opening of the jealously guarded investment trust fund market to foreign management companies.

Ever since a stock market crash in 1964, the Finance Ministry has refused to allow any new entries into the market and there are only 14 companies in Japan that are licensed to manage investment trust funds, compared with 350 in the US.

The arrival of foreign companies this month is an important step into the new era of competition. The success of the foreigners, who lack the strong retail network of their Japanese competitors, will depend on their ability to attract investors through high returns and thereby convince the securities houses to sell their products.

"We are going to be very small fish in a big pond and we are not going to change things overnight," admits Mr Stephen Cohen, director of Mercury Asset Management of the Warburg group, which is one of the first two foreign companies to receive a license to manage funds in Japan. But foreign fund managers have built up considerable portfolio management skills and impressive performance records.

"In terms of product development, foreign management companies have a very good chance in the Japanese market," says Mr Soichi Kadokawa, president of Financial Data System, an independent analysis company. "Japanese investors will be looking at performance and it doesn't matter whether the fund manager is foreign or Japanese," he stresses.

The blessings of a surging domestic stock market and lack of competition in the past, allowed Japanese investment trust management companies to enjoy rapid growth despite a dismal performance record.

Jardine Fleming states in a recent report that "in the 1980s the average return on an equity investment trust product was 3.8 per cent annually versus an average 21 per cent appreciation in the market".

"In Japan investment trust funds have always been seen as a means to obtain a little more return over cash," says Mr Cohen. The standard expected return in the past has been slightly above the bank savings rate, or about 5 per cent, Japanese fund managers point out.

But as deregulation of the market progresses, and investors have a wider variety of products to invest in, awareness of performance will increase, says Mr Cohen.

Japanese fund managers themselves readily admit that the volatile market will make it more necessary for them to drum up business with more attractive performance showings. "Success will depend on the ability to interpret the trends of the times correctly," says Mr Tamai.

The massive fall in stock prices this year has wiped out nearly 2½ years' worth of the asset growth of Japanese investment trust funds

Meanwhile, the country's financial authorities have shown they are intent on introducing a greater degree of competition and on stamping out industry practices that stand in the way of bringing the Japanese investment trust market in line with western market standards.

Domestic market rules are being changed to put greater emphasis on maintaining the independence of management companies from their parent securities houses. Japanese securities companies have often been accused of dumping poorly performing stocks on their investment trust subsidiaries and putting pressure on them to trade more often than necessary in order to generate commission income.

The close relationship between investment trust companies and their parent company securities houses has also tended to reduce competition and to restrict the independence of fund managers.

For example, it has been accepted practice for the securities houses to send staff to their subsidiaries as executives, while securities sales workers commonly became fund managers. "These people have been trained to sell securities, not to manage funds," complains an official at a large investment trust company.

The Ministry of Finance recently introduced rules that make it difficult for the securities houses to second executives and staff to their subsidiaries. It has also been encouraging management companies to set up funds to be sold through a number of securities houses rather than just through their parent company.

Mr Tamai points out that investment trust management companies and their parent securities houses are no longer as interdependent as they used to be. It would be very difficult for a securities house to force its subsidiary to buy stocks that were not performing well, Mr Tamai claims. "The Finance Ministry has its eyes on us," he says.

This summer, the Ministry of Finance embarked on a program of reforms to broaden the scope of investment products which Japanese funds could invest in, in the hope that deregulation would inject much-needed competition into the market.

At present, Japanese funds can only invest in a limited number of products that are accepted by the authorities as securities.

In August, US mortgage-backed securities were included in the Finance Ministry's definition of securities and fund managers expect that eventually they will be allowed to invest in securitised products at home as well.

Deregulation could gather pace when foreign investment trust companies enter the market. "Then the authorities will no longer be able to be so strict about what investment trusts can invest in," says one Japanese fund manager.

The growing consensus is that from now on, fund managers in Japan, faced with a more difficult climate and greater competition, will have to work much harder than they are accustomed to. As one Japanese fund manager sums up the outlook, "the wind is no longer blowing in our favour, and only competitive companies will survive."

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Oct 24 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Oct 23 Index No.	Mon Oct 22 Index No.	Fri Oct 19 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (196)	714.59	-0.6	15.51	6.66	7.88	31.87	718.62	711.41	709.01	868.48
2	Building Materials (26)	975.06	......	15.06	6.27	8.18	40.76	974.85	963.51	963.31	1021.87
3	Contracting, Construction (35)	1156.60	-0.6	17.26	6.91	7.51	58.05	1164.15	1159.03	1157.23	1371.61
4	Electricals (10)	1881.24	+0.2	14.94	7.16	8.19	84.91	1876.78	1866.63	1862.59	2504.64
5	Electronics (26)	1582.94	-0.4	10.62	5.41	12.87	58.17	1589.05	1581.52	1566.20	1915.22
6	Engineering-Aerospace (8)	417.65	-0.5	16.21	5.78	7.42	15.45	419.76	415.12	416.82	0.00
7	Engineering-General (47)	359.70	+0.5	16.66	7.22	7.22	17.38	357.90	357.02	361.20	0.00
8	Metals and Metal Forming (8)	399.58	-1.9	28.52	8.36	4.27	17.02	407.40	398.72	401.77	448.49
9	Motors (13)	279.24	+0.2	18.14	8.61	6.43	14.53	278.79	269.11	268.83	355.63
10	Other Industrial Materials (23)	1190.54	-1.6	14.14	6.85	8.17	60.27	1209.65	1197.84	1180.20	1615.76
21	CONSUMER GROUP (176)	1213.45	-0.6	10.19	4.26	12.12	31.51	1220.75	1207.38	1201.03	1228.58
22	Brewers and Distillers (22)	1528.17	+0.1	10.23	3.87	11.84	33.61	1526.94	1506.41	1504.48	1401.02
25	Food Manufacturing (18)	1017.45	-0.3	11.41	4.80	10.80	28.13	1020.25	1012.75	1007.53	1090.45
26	Food Retailing (17)	2375.93	......	10.04	3.52	12.68	52.68	2374.89	2362.09	2358.53	2351.65
27	Health and Household (16)	2469.47	-1.4	7.16	3.01	16.51	50.32	2505.24	2457.44	2431.66	2357.12
29	Leisure (32)	1209.81	-0.2	12.38	5.36	9.78	44.58	1212.07	1203.50	1194.60	1540.44
31	Packaging & Paper (12)	486.97	-0.1	13.22	7.15	9.29	22.95	487.32	483.88	482.49	531.80
32	Publishing & Printing (14)	2935.13	+0.8	12.22	6.38	10.24	126.51	2912.73	2888.75	2854.59	3468.88
34	Stores (33)	803.43	-1.7	10.98	4.59	11.85	19.51	817.30	812.12	810.13	767.88
35	Textiles (12)	424.10	-0.8	14.08	8.37	9.01	20.45	427.38	420.65	418.28	518.26
40	OTHER GROUPS (107)	976.93	-0.9	12.66	6.01	9.61	32.16	986.28	978.01	967.84	1108.26
41	Agencies (16)	1019.75	-1.4	10.41	3.27	11.63	22.25	1033.88	1025.36	1028.98	1482.68
42	Chemicals (24)	1008.44	-1.3	13.12	6.61	9.00	46.81	1021.37	1016.05	1001.93	1209.95
43	Conglomerates (15)	1327.99	-1.3	12.78	7.54	9.43	38.53	1345.61	1337.20	1322.39	1578.03
44	Transport (14)	1900.65	-0.4	12.78	5.52	9.91	67.29	1909.05	1885.97	1874.75	2126.58
46	Telephone Networks (3)	1063.42	-0.4	12.30	5.14	10.58	26.09	1067.87	1066.49	1056.61	1091.04
47	Water (10)	1981.76	+0.5	14.82	6.83	7.64	68.12	1971.30	1947.60	1919.24	0.00
48	Miscellaneous (25)	1519.30	-2.0	12.33	5.93	9.42	61.84	1549.99	1515.74	1496.87	1797.07
49	INDUSTRIAL GROUP (479)	1019.06	-0.7	12.11	5.32	10.12	32.81	1026.21	1015.99	1009.46	1115.58
51	Oil & Gas (21)	2322.53	-0.1	9.64	5.38	13.55	85.44	2324.12	2298.56	2293.77	2123.92
59	500 SHARE INDEX (500)	1125.89	-0.6	11.72	5.33	10.54	37.07	1132.69	1121.22	1114.77	1200.40
61	FINANCIAL GROUP (103)	691.37	-0.7	-	6.88	-	32.89	696.00	687.66	687.80	742.93
62	Banks (9)	739.65	-1.2	22.12	7.79	5.92	42.00	748.78	735.79	733.58	727.76
65	Insurance (Life) (7)	1294.93	......	-	5.93	-	55.82	1295.56	1290.22	1294.60	1240.24
66	Insurance (Composite) (6)	586.99	-0.4	-	7.23	-	32.08	589.57	583.40	589.25	642.55
67	Insurance (Brokers) (8)	846.47	+0.2	8.88	7.59	14.75	41.94	844.83	846.79	844.03	1052.37
68	Merchant Banks (7)	346.33	-0.3	-	5.91	-	12.75	347.50	346.02	345.41	384.31
69	Property (45)	940.52	-0.5	7.82	5.19	16.86	25.45	945.03	930.91	926.26	1165.95
70	Other Financial (21)	244.54	-0.2	11.62	7.14	11.05	11.83	245.12	244.90	246.27	323.24
71	Investment Trusts (66)	1012.82	-0.2	-	3.91	-	25.91	1014.63	1006.85	1001.10	1177.91
91	Overseas Traders (5)	1149.34	-1.7	12.45	8.04	9.57	69.98	1168.95	1153.34	1142.21	1334.92
99	ALL-SHARE INDEX (674)	1019.54	-0.6	-	5.52	-	35.66	1025.74	1015.13	1010.12	1089.74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 23	Oct 22	Oct 19	Oct 18	Oct 17	Year ago
FT-SE 100 SHARE INDEX♦	2110.5	-16.5	2123.4	2108.3	2127.0	2102.0	2089.0	2082.6	2068.0	2161.9

FIXED INTEREST

	PRICE INDICES	Wed Oct 24	Day's change %	Tue Oct 23	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	117.95	+0.10	117.83	-	10.24
2	5-15 years	122.34	+0.09	122.23	-	11.95
3	Over 15 years	124.13	+0.10	124.00	-	9.84
4	Irredeemables	142.38	+0.03	142.34	-	8.85
5	All stocks	122.89	+0.09	122.78	-	11.27
	Index-Linked					
6	Up to 5 years	154.64	+0.24	154.28	-	3.04
7	Over 5 years	138.30	+0.02	138.27	-	3.45
8	All stocks	139.41	+0.04	139.36	-	3.42
9	Debentures & Loans	102.03	+0.03	102.00	-	9.29
10	Preference	73.06	-0.09	73.13	-	5.40

	AVERAGE GROSS REDEMPTION YIELDS		Wed Oct 24	Tue Oct 23	Year ago (approx.)
	British Government				
1	Low	5 years	10.56	10.56	9.792
2	Coupons	15 years	10.81	10.82	9.51
3		25 years	10.82	10.83	9.40
4	Medium	5 years	11.55	11.56	10.85
5	Coupons	15 years	11.27	11.27	9.85
6		25 years	11.10	11.11	9.50
7	High	5 years	11.64	11.66	10.96
8	Coupons	15 years	11.50	11.51	10.06
9		25 years	11.38	11.39	9.65
10	Irredeemables†		11.01	11.01	9.48
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.18	4.28	3.61
12	Inflation rate 5%	Over 5 yrs.	4.39	4.39	3.64
13	Inflation rate 10%	Up to 5 yrs.	2.92	3.01	2.74
14	Inflation rate 10%	Over 5 yrs.	4.20	4.20	3.47
15	Debs &	5 years	13.27	13.27	13.52
16	Loans	15 years	12.77	12.77	12.08
17		25 years	12.44	12.44	11.61
18	Preference†		12.99	12.98	10.57

♦Opening index 2114.6; 9 am 2122.7; 10 am 2116.2; 11 am 2114.2; Noon 2116.2; 1 pm 2110.3; 2 pm 2109.6; 2.30 pm 2108.4; 3 pm 2110.4; 4.10 pm 2111.6; (a) 9.01am (b) 2.37pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	49	8	33
Corporations, Dominion and Foreign Bonds	2	4	15
Industrials	209	322	1,023
Financial and Properties	106	158	478
Oils	19	20	50
Plantations	1	0	9
Mines	39	28	88
Others	58	59	97
Totals	483	599	1,793

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am't Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	131	90	ABI Leisure 10p	97		R4.7	3.3	6.5	6.3
155	F.P.	-	160	155	♦Brabant Resources £1	155		-	-	-	-
180	F.P.	-	198	170	Faber Prest	175		9.1	3.7	6.9	5.2
2	F.P.	-	4½	3	Finlan Group 1p	3¼		-	-	-	-
†	F.P.	-	75	43	Golden Vale Ir1p	46		♦Q198%	5.1	3.2	8.4
-	F.P.	-	24	19	JF Fledgeling Jap. Wts1c	19		-	-	-	-
100	F.P.	-	98	75	Jupiter Euro Inv Trust	76		-	-	-	-
-	F.P.	-	38	21	Do. Warrants	25		-	-	-	-
-	F.P.	-	22	20	♦MMI 1p	22		†1.0	2.4	6.1	8.5
†	F.P.	-	17	9½	♦Paramount 2½p	9½		-	-	-	-
†	F.P.	-	53	38	♦Pelican 20p	38		-	-	-	-
100	F.P.	-	90	83	River & Merc Smaller Co	89		K3.75	-	5.6	-
-	F.P.	-	26	18	Do. Warrants	23		-	-	-	-
$100	F.P.	-	102	88	Stars Select. Growth Tst.	89		-	-	-	-
-	F.P.	-	38	28	Do. Warrants	29		-	-	-	-
$100	F.P.	-	96	93	Smaller Cos. Inv. Tst50p	93		-	-	-	-
-	F.P.	-	23	21	Do. Warrants	21		-	-	-	-
225	F.P.	-	245	208	♦Standard Platform 10p	213	-2	-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	-	101	68	♦Bluebird Toys 12pc Cv. Uns. Ln. 2005	68	
100p	F.P.	28/9	102p	93p	Perkins Foods 8p (Net) Cv Rd Pf	93p	-3
♦	F.P.	-	90p	75p	Rank Org. 8.25p (Net) Cv Cm Rd Pf 20p	89p	
100p	F.P.	-	121p	106p	Reckitt & Colman 9.5pc Cr Bds 2005	116p	-1½
100	F.P.	-	110½	101¼	Tesco Capital 9pc Cnv. Cap. Bd. 2005	108¼	-¼
100p	F.P.	-	105p	45p	Wyndham Group 9.375pc Cnv.Pf	50p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
77	Nil	-	15pm	10½pm	Bryant Group	11½pm	
16	Nil	-	2pm	½pm	Greenwich Resources A 5p	½pm	
140	Nil	-	3pm	3pm	MTM 5p	3pm	
220	55	23/7	90	33	Ratners	48	43
180	Nil	-	27pm	20pm	Sinclair (Wm.) Hldgs	25pm	
5	Nil	-	8pm	6pm	Sycamore Hldgs. 5p	6pm	
250	Nil	-	25pm	3pm	♦Wyevale Garden Cntrs. 50p	3pm	-1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast, annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Oct. 15
- Last Dealings Oct. 26
- Last Declarations Jan. 24
- For settlement Feb. 4

For rate indications see end of London Share Service

Calls: Amstrad, Burton, Conroy, Erskine House, Eurotunnel, Tusker Res. Put: Maxwell Comm.

LONDON TRADED OPTIONS

THE EQUITY futures market traded lower yesterday as a rise in oil prices and worries about recession weighed on sentiment, while unlike the previous session the institutions were largely absent. In the traded options market, dealing was also subdued, although Racal continued to attract speculative interest.

The December FT-SE 100 index contract appeared to lack a strong sense of direction and succumbed to the worries afflicting the cash market. A strong rise in oil prices and a report indicating that much of the UK is in recession provided a gloomy backdrop for a session largely devoid of strong retail interest.

The December FT-SE closed at 2,157.0, down 23 points on the day. Its premium over the cash index ended at 46 points against 54 at the previous close and fair value of 35 points.

In the traded options market, turnover stood at 28,351 contracts, little changed on the day and below the level necessary for most market operators to cover their costs.

There were some suggestions that staffing levels at a leading options broker might be reduced, although this proved to be unfounded.

Dealing in the FT-SE 100 index options remained strong, trading 9,444 contracts, and was weighted more towards puts. A buyer of 500 October 2,100 puts emerged, while the November 1,800 puts also proved popular.

Among the stock options, Racal continued to be buoyed by bid speculation. The largest trade was the purchase of 1,000 November 180 calls. Dealing in British Gas was swelled by the sale of 400 December 220 calls and of 400 December 220 puts. Elsewhere, Tullett and Tokyo sold 500 March 240 Trusthouse Forte puts and bought 500 December 240 puts. James Capel sold 500 Asda 110 puts.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*494)	460	45	63	70	14	19	25
	500	24	39	45	33	38	43
	550	9	21	-	72	75	-
ASDA (*126)	120	15	19	23	5½	9	11
	130	10	15	18	11	14	15
	140	5	10	12	17	19	21
Brit. Airways (*147)	140	16	22	23	7	13	15
	160	8	13	13	20	25	27
	180	4	7	-	39	40	-
SmKl Beecham A (*594)	500	108	122	139	3	8	11
	550	67	85	102	13	20	24
	600	37	55	70	31	40	44
Boots (*324)	280	50	62	68	3	5	9
	300	35	47	54	8	11	13
	330	15	29	36	19	22	25
B.P. (*339)	330	25	36	43	12	15	18
	360	12	21	27	28	31	35
	390	5	10	-	54	55	-
British Steel (*121)	110	14	18	20½	3	4	8
	120	8½	12	15	8	9½	12
	130	4½	8	10	14	15½	18
Bass (*1066)	1000	92	122	142	25	33	35
	1050	60	92	110	47	57	57
	1100	37	68	-	74	82	-
C & Wire (*415)	390	47	64	72	14	22	26
	420	28	47	57	26	35	38
	460	14	28	38	52	59	63
Courtaulds (*320)	300	39	50	55	8	11	16
	330	20	32	37	20	22	30
	360	9	20	-	40	41	-
Com. Union (*459)	420	58	70	-	8	16	-
	460	34	43	53	21	34	37
	500	17	23	35	45	58	61
GKN (*320)	300	40	43	50	11	20	25
	330	20	27	33	25	35	37
	360	9	15	-	47	57	-
Grand Met. (*590)	550	70	80	95	12	25	30
	600	37	50	67	32	45	50
	650	16	28	-	65	75	-
I.C.I. (*843)	800	87	102	114	22	40	47
	850	55	70	85	42	62	70
	900	30	45	-	72	92	-
Kingfisher (*394)	330	77	92	-	2	6	-
	360	54	68	72	8	12	17
	390	29	52	55	17	23	27
Ladbroke (*279)	260	35	45	49	8½	11	16
	280	22	33	39	16	21	25
	300	12	23	-	27	31	-
Land Secur (*515)	460	67	85	92	5	10	16
	500	38	58	65	17	23	28
	550	15	32	40	46	48	52
M & S (*233)	220	24	33	36	6	9	12
	240	12	20	25	16	18	21
	260	6	13	17	31	32	33
STC (*276)	260	36	41	49	9	14	17
	280	24	29	34	18	23	25
	300	12	18	22	30	35	36
Sainsbury (*314)	280	44	54	59	4	6	8
	300	29	40	45	8	11	14
	330	13	23	30	23	26	27
Shell Trans. (*459)	420	60	63	73	5	10	13
	460	32	36	50	17	25	28
	500	13	20	32	45	46	50
Storehouse (*132)	130	12	17	20	7½	10	13
	140	8	13	15	15	16	17
Option		**Jan**	**Apr**	**Jul**	**Jan**	**Apr**	**Jul**
Trafalgar (*190)	180	24	30	35	14	20	25
	200	15	22	25	27	32	37
Utd. Biscuits (*317)	300	34	41	47	8	14	16
	330	15	24	30	22	28	30
Unilever (*658)	650	45	66	80	27	36	42
	700	22	41	-	55	63	-
Ultramar (*327)	300	43	52	57	7	11	14
	330	25	32	40	20	23	25
Option		**Nov**	**Feb**	**May**	**Nov**	**Feb**	**May**
Brit Aero (*562)	550	27	55	65	13	25	37
	600	7	30	40	43	50	57
BAA (*379)	360	28	43	55	4	17	20
	390	9	24	40	20	32	35
BAT Inds (*560)	550	25	53	75	10	24	30
	578	13	-	-	27	-	-
BTR (*318)	300	24	38	42	3½	10	14
	330	7	21	25	16	23	30
Brit. Telecom (*264)	260	10½	20	31	5½	14½	16
	280	3	11½	21	18	25½	29
Cadbury Sch (*315)	300	22	37	43	4	9	15
	330	6	20	26	20	24	29
Guinness (*720)	700	33	65	83	10	25	34
	750	9	41	57	40	50	55
GEC (*186)	180	11	18	26	4	8½	11
	200	2½	8½	16	16	19	22
Hanson (*196)	180	18½	21	26	1	6	8
	200	4½	9½	16½	8	16	16½
LASMO (*439)	433	18	-	-	11	-	-
	460	8	32	42	32	37	42
Lucas Inds (*121)	120	7	11	14	10	14	16
	130	4	7	8	18	22	24
P. & O. (*509)	500	23	52	64	17	30	40
	550	7	27	37	50	57	67
Pilkington (*154)	140	17	22	28	2	6½	9
	160	4½	10	17	10	15	17
Polly Peck (*1½)	160	½	½	6½	153	57¼	153
	260	½	½	½	233	233	230
Prudential (*204)	200	11	22	26	5	10	13
	220	3	11	16	18	19	24
Racal (*164)	160	10	21	28	7	13	17
	180	3½	12	18	20	24	26
R.T.Z. (*434)	420	19	42	52	11	23	36
	460	4	24	35	41	47	58
Scot. & New (*359)	330	32	43	57	5	13	18
	360	11	27	40	18	27	30
Tesco (*233)	220	16	28	33	5	6	9
	240	5	14	20	11	15	18
Thames Water (*237)	230	11	21	-	4	10	-
	240	5	14	22	9	16	18
Water Hldg Ptg (*£2305)	2300	60	140	-	60	120	-
	2350	-	120	-	-	160	-
Option		**Nov**	**Jan**		**Nov**	**Jan**	
Ferranti (*19)	20	2	3	-	2½	4	-
	25	¾	1¼	-	6½	9	-
Option		**Dec**	**Feb**	**Apr**	**Dec**	**Feb**	**Apr**
Fisons (*364)	360	23	33	39	13	15	18
	390	9	18	25	28	31	32
Option		**Dec**	**Mar**	**Jun**	**Dec**	**Mar**	**Jun**
Abbey Nat. (*214)	200	20	31	34	4	9	11
	220	9	18	21	13	17	18
Amstrad (*62)	60	7	10½	13½	4	7	8½
	70	3	6½	9½	11	12½	14
Barclays (*372)	360	-	48	53	-	25	28
	390	-	30	38	-	40	43
Blue Circle (*219)	200	28	38	40	4	10	13
	220	15	26	28	12	17	22
British Gas (*219)	200	25	30	36	2	5	7
	220	11	16	23	7	11	13
Dixons (*149)	140	18	22	26	3½	8	10
	160	6	11	15	14	17	19
Glaxo (*774)	700	95	125	142	6	14	20
	750	55	88	107	17	26	36
Hawker Sidd. (*396)	390	23	42	48	25	30	48
	420	8	27	30	42	43	60
Hillsdown (*264)	260	16	27	32	11	15	18
	280	7	17	23	22	25	30
Lonrho (*206)	200	18	25	28	7	16	17
	218	10	-	-	15	-	-
Midland Bk (*200)	200	22	28	30	11	19	22
	220	9	15	22	22	28	30
Reuters (*691)	650	90	123	140	29	54	56
	700	57	95	115	52	75	82
R. Royce (*178)	160	23	30	31	2½	6½	8
	180	10½	18½	20	8¼	12¼	16
Sears (*84)	80	9	13½	15	4	5½	6
	90	5	8½	10	10½	12	13
THF (*259)	240	29	39	42	4	7½	11
	260	14	27	29	11	16	20
Thorn EMI (*631)	600	49	73	92	17	25	32
	650	21	45	60	38	43	50
TSB (*139)	130	15	19	23	4	7	10
	140	8	13	15	8	10	14
Vaal Reefs (*$67)	60	14	18	20	4½	7½	9½
	70	7½	13	15½	9	13	15
Wellcome (*902)	900	32	55	74	25	37	42
	950	12	34	50	58	68	72

EURO FT-SE INDEX (*2112)

	2025	2075	2125	2175	2225	2275	2325	2375
CALLS								
Oct	103	60	30	11	4	1½	1	½
Nov	143	108	78	56	34	-	14	-
Dec	175	-	110	-	63	-	32	-
Mar	225	-	161	-	112	-	67	-
Jun	273	-	208	-	162	-	123	-
Sep	302	-	237	-	185	-	143	-
PUTS								
Oct	9	17	37	68	110	160	209	259
Nov	32	46	66	91	122	-	201	-
Dec	44	-	79	-	132	-	199	-
Mar	85	-	120	-	170	-	220	-
Jun	88	-	112	-	155	-	205	-
Sep	88	-	112	-	145	-	197	-

FT-SE INDEX (*2112)

	2050	2100	2150	2200	2250	2300	2350	2400
CALLS								
Oct	78	40	16	5	2	1	½	½
Nov	122	90	63	43	28	18	11	6
Dec	156	123	94	72	55	40	28	20
Jan	180	148	120	95	75	58	45	34
Jun†	-	222	-	168	-	129	-	93
PUTS								
Oct	10	22	52	94	143	193	243	293
Nov	36	35	60	113	150	195	243	293
Dec	50	69	95	124	159	194	243	285
Jan	61	80	103	133	168	205	245	285
Jun†	-	105	-	157	-	214	-	300

♦ Premium shown for closing business only.
October 24 Total Contracts 28,351
Calls 13,906 Puts 14,445
FT-SE Index Calls 3,640 Puts 5,779
Euro FT-SE Calls 84 Puts 128
*Underlying security price. † Long dated expiry months.

UK COMPANY NEWS

Tempting shareholders to back a tunnel vision

Andrew Hill and Andrew Taylor on Eurotunnel's proposed £530m money-raising plan

THE MONSTER created by Dr Frankenstein would fit almost as well into advertisements for the Channel tunnel project's proposed £530m rights issue as it has into the UK electricity industry's privatisation campaign.

Eurotunnel, like Frankenstein's creation, seems to have come back from the dead. Its rights issue – which, like the flotation of the electricity distribution companies, should take place next month – marks the latest revival of a project which has been laid out for burial on several occasions.

Today more than 200 international banks are due to sign a new £2.1bn loans package, which *must* be completed before the rights issue can go ahead.

The cash is needed to finish the scheme, which has risen in cost from an initial estimate in 1987 of £4.8bn, to £7.7bn – an increase of 60 per cent.

Eurotunnel will have to convince new and existing shareholders that:

- the problems which caused the dramatic increase in costs have been resolved and that most of the risks of construction have now been removed;
- the returns offered to investors are still attractive, in spite of the rise in costs;
- the group will have enough money following the latest cash call to complete the project on time without having to come back to shareholders for more funding.

The company's campaign should be helped by the fact that the rights issue will coincide with an historic breakthrough in the construction of the link.

Engineers digging the service tunnel from the British and French coasts are now a few metres from shaking hands under the Channel. For the first time since the Ice Ages, people will be able to walk from Britain to the continent of Europe.

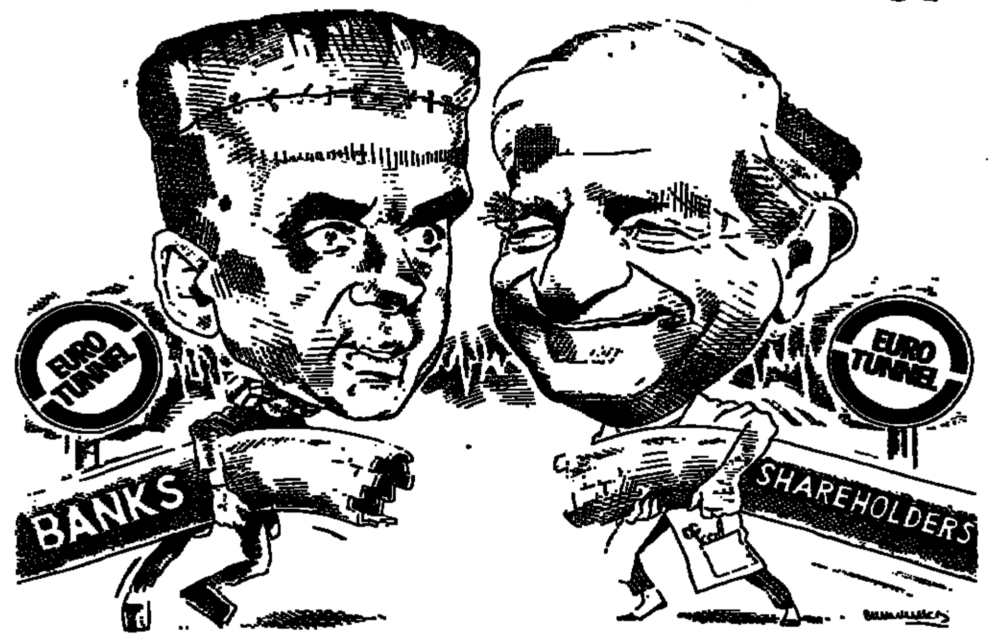
The breakthrough of the service tunnel will be the most striking symbol of the vast improvement in the project's progress since construction started at the beginning of 1988, shortly after Eurotunnel had completed a £6bn financing – £5bn of loans and stand-by credits, and £1bn of equity.

In the prospectus for the 1987 offer for sale, Eurotunnel forecast that the project would generate an internal rate of return of 17 per cent. By summer this year the prospective rate of return had fallen to about 14 per cent, assuming a rights issue price of about 400p per share. Costs have risen much faster than traffic and revenue projections.

But Eurotunnel argues that the big risks, traditionally associated with a speculative development project, have been removed, as construction has progressed. Some 70 per cent of the tunneling and 60 per cent of the terminals have now been completed. Agreements to buy much of the equipment and rolling stock have also been negotiated, according to Mr Alastair Morton, Eurotunnel's chief executive.

Once completed, he says the project will take on the characteristics of a utility. The capital investment will have been made; there will be a guaranteed stream of income to repay loans and start paying dividends; maintenance costs are expected to remain low.

But there is much more to the Channel link than the physical construction of tunnels and terminals. Even though most of the equipment and rolling stock has been ordered, Eurotunnel still has to join the pieces together to create an efficient and profitable part of a larger European railway system.



Alastair Morton and André Bénard, the British and French heads of Eurotunnel, pull together the new financing package

Each month's delay in completing the project, which is due to open in summer 1993, would add more than £50m to Eurotunnel's interest bill. Also still to be resolved are disputed claims for £900m of additional payments, which Eurotunnel's contractors say they are owed.

Today's loan agreement and next month's cash call will provide Eurotunnel with a cushion. About £1bn of the £8.7bn of funds then available to the project could be used to cover any further increases in costs.

But the group still has to make a convincing case to several distinct groups, of shareholders, whose loyalty has been tested over the last 18 months. Yesterday the shares rose 35p to 480p in expectation of today's signing ceremony, but that still compares with a peak of nearly £11 last summer.

Eurotunnel has 559,000 separate shareholders, predominantly French and British institutions and large numbers of individuals. Individual shareholders include three in Afghanistan, one in Cuba, 14 in Togo and a sole investor in Albania.

An unusually high proportion of Eurotunnel's equity – nearly 44 per cent – is owned by individuals. Many of them own no other shares. Almost half the UK individual shareholders has never used a stockbroker.

A large number bought shares for the free-travel incentives provided with the original share issue and Eurotunnel is now hoping that existing and new investors will be attracted by a fresh range of sweeteners – this time in the form of cheap fares which can be passed on to other nominated travellers.

Unusually, the group is using newspaper and poster advertisements to promote the rights issue in a campaign which is expected to cost nearly £5m. It coincides with the ubiquitous electricity advertisements, but Eurotunnel's advisers discount the possibility that small investors will prefer the more immediate returns of the electricity offer and spurn Eurotunnel stock. The two issues present quite different investment opportunities, Eurotunnel says.

Another unorthodox aspect of the offer is that shareholders have known about the cash call for more than a year. Eurotunnel revealed that it was running out of money to complete the project last summer and it has taken since then to negotiate new loan agreements with the banks.

Mr Graham Corbett, Eurotunnel's finance director, says: "This must be the longest pre-billing of any rights issue in history and I have to assume that any views the market might have about it have been reflected in the [share] price for several months."

More importantly for Eurotunnel, the rights issue was pre-underwritten by traditionally sceptical institutional investors in Britain and France in May. This is a signal of confidence in the future of the project, says Mr Corbett. The group is now seeking to re-underwrite the issue to allow itself greater flexibility in pricing the new shares.

Eurotunnel's advisers say market conditions are not fundamental to the success of this rights issue. The last public offer of shares was a success although it was launched within weeks of the October 1987 stock market crash, and the long-term nature of the project enables Eurotunnel's share price to ride out short-term stock market movements.

"The fact that we will not pay a dividend until 1997 or 1998 gives us a degree of padding," says one adviser.

On the other hand, the fact that the project is still two years from opening and at least seven years from paying its first dividend means investors still have to take a lot on trust.

The rights issue is already pre-underwritten and once the banks sign today, completion of the tunnel is assured, Eurotunnel believes. The question is: will shareholders back Eurotunnel's vision?

COMPANY NEWS IN BRIEF

ALUMASC had enjoyed a very busy first quarter, however, it could not ignore the slowdown in many of its markets, the annual meeting was told. The company was in a strong position to make the most of those conditions.

ASH & LACY has agreed to acquire Société Nantaise de Galvanisation for a total of FFr27m (£2.71m) cash. The purchase will be funded by a new loan facility in France.

BRIDGEND GROUP is returning to distribution via an agreement to acquire the assets, certain liabilities, the business and goodwill of John Sydney. The company, an Eagle Trust subsidiary, distributes bathroom and kitchen fittings. Consideration is equal to value of Sydney's net assets as at September 28 1990, satisfied by a payment of £2.9m conditional on approval of Bridgend shareholders. A further £300,000 will be paid into escrow pending finalisation of completion accounts.

BRITISH AEROSPACE: Barclays de Zoete Wedd confirmed purchase of 20.01m nominal (80.04 per cent) of Arlington Securities 9.5 per cent cumulative redeemable preference shares 2008. Shares purchased by BZW will in turn be bought by BAe.

BROMSGROVE Industries has made further property disposals for a total of £5.35m, making a total of £10.6m realised in the last month.

BTP has agreed to purchase for a total of A$4.1m (£1.7m) two speciality chemicals operations in Australia. The largest purchase is ICI Australia Operations, for A$3.5m. The other is Polymer Coatings and Adhesives.

EIS Group has paid £350,000 cash for the trade and assets of Coventry Climax Engines, which is in receivership. It will be relocated at EIS subsidiary Horstman Defence System's factory in Bath.

FTP BROADCASTING: Chiltern Radio's total holding of shares and rights over A ordinary shares is 3,501 shares (35.01 per cent).

RACAL ELECTRONICS has, through its Racal Electronics Europe subsidiary, acquired Meldkamer Midden-Nederland, a central station alarm monitoring service for £1.15m.

Lionheart plans to pay dividends after reorganisation

By Andrew Bolger

LIONHEART, the housewares and retail display systems group formerly known as Spong Holdings, is proposing a capital reorganisation so that the company will be able to pay dividends out of future earnings.

The reorganisation, which is subject to shareholder and court approval, will eliminate the accumulated deficit of £1.9m on the group's profit and loss account reserves. The board said it intends to resume payment of dividends to ordinary shareholders next year after £680,000 in arrears of dividends on preference shares had been paid, dependent on the subsequent trading performance of Lionheart.

Mr Paul Lever, executive chairman said: "Current trading is not bad – not at exciting levels, but we are profitable and on course."

Last October, Lionheart bought Hamilton, a private company which manufactures paint brushes and decorating equipment. The consideration comprised an initial £5.3m, plus a deferred payment of up to £1.5m, depending on Hamilton's performance to the end of this year.

Lionheart said that after a review by independent accountants, it was confident that the full £1.5m would be payable. In order to speed the combination of the Hamilton business with that of Acorn Decorating, which was acquired in July, the board had decided to bring forward this payment.

The group would therefore issue up to 8.3m new ordinary shares in Lionheart to the vendors of Hamilton following an EGM on December 17.

Acquisitions boost Bimec

BIMEC Industries, the pollution control and treatment group, doubled turnover to £24m and saw profits before tax rise from £904,000 to £2m for the six months to end-September.

During the half year three acquisitions were successfully integrated and at the period end net bank borrowings were contained to £1.39m, representing a gearing level of 19 per cent.

The interim dividend is lifted from 0.33p to 0.5p from earnings of 2p (1.2p).

For the 1989-90 year as a whole pre-tax profits amounted to £2.77m and shareholders received a 1p total dividend.

The group, which graduated from the Unlisted Securities Market to a full listing two months ago, said all three divisions were continuing to trade profitably.

The current order book stands at £34m.

Phaidon Press sold by receivers

Phaidon Press, the art publisher, has been sold by the receivers of Musterlin Group to Mr Mark Futter and Mr Richard Schlagman. The current management team and all staff will be retained.

Phaidon, based in Oxford, has annual sales of about £5m.

Heywood purchase

Heywood Williams has bought Double Glazing Components for the issue of 350,000 shares.

Correction
Erskine House

Copy Consultants of Carlisle, which went into receivership on Tuesday, is not a subsidiary of Erskine House, as reported in Wednesday's Financial Times. In 1985 Erskine House acquired Stapleport, an unconnected company with headquarters in Bath and branches in Plymouth and Bournemouth which traded as Copy Consultants until last year, but now trades under the name of Erskine West. We apologise to Erskine House for making this unfortunate error.

Anglo United sells NSM stake to repay debt

By Richard Gourlay

ANGLO UNITED, the highly-indebted fuel distributor and mining group, yesterday sold its 20.62 per cent stake in NSM, the mining and building materials group. It will use the proceeds to pay off debt resulting from its acquisition last year of the much larger Coalite group.

The £32m raised will be help meet the banks' requirement that the £440m debt it took on to acquire Coalite should be reduced by £265m by the end of the financial year in February 1991.

Stockbrokers Smith New-Court and Charterhouse Tilney took the shares on to their own books on Monday in a bought deal before placing them with institutions yesterday.

Prior to the Coalite acquisition, Anglo had gearing of about 50 per cent with debt of £20m. After the sale of NSM and further repayments the company will still have a negative net worth, Mr John Gainham, the finance director said. However, the company would move onto a less rapid repayment schedule next year, he said.

In February this year Anglo took up its rights in NSM's £49m rights issue, making it clear it was looking for a buyer willing to pay a premium that recognised the strategic value of its stake.

Mr Gainham said yesterday it had been only a question of time before Anglo sold its stake which it acquired when it injected its coal interests into Burnett and Hallamshire, the mining group, in 1988, which was renamed NSM.

By June this year Mr David McErlain, Anglo's chairman, said the group had already raised £135m by disposing of Coalite's waste disposal, builders' merchant and quarrying activities. The company was also looking to sell its property and oil exploration assets.

Anglo has repaid £150m of its £200m bridging loan, which expires by February next year. The sale of the NSM stake helps the company repay the £65m of the £200m term loan also by that date, Mr Gainham said.

One analyst said that the sale of the NSM stake had largely solved Anglo's short-term problems with high gearing but that there had to be a residue of concern when the company was being run with at least one eye on the banks.

Boots in £19m drugs deal with Medeva

By Clive Cookson

BOOTS, the pharmaceutical and retailing group, is to buy a range of over-the-counter drugs from Medeva, the UK medical research and manufacturing company, for £18.5m.

Over-the-counter medicines do not require a doctor's prescription. The principal brands in the deal are Mycil (for athlete's foot), Dequa (sore throat treatments), Nylax (laxative) and Sea Legs (travel sickness remedy).

Medeva had acquired these products as part of its £87m takeover of Evans Healthcare early this year. Their sales in 1989 amounted to £3.82m realising operating profits of £1.24m.

Dr Eric Cliffe, managing director of Boots Pharmaceuticals, said the deal was part of the company's policy of expanding Crookes Healthcare, its over-the-counter subsidiary.

Medeva will continue to manufacture over-the-counter products at its Bradford plant until the factory's expected closure late next year. Boots will then will then take over their production in Nottingham.

Mr Bernard Taylor, Medeva chairman, said the sale to Boots would eliminate the company's borrowings and leave it with cash to expand its core businesses of prescription drugsand vaccines.

Independent audit hold-up ● Turkish and Cypriot investments will be protected ● Ship deal unaffected

Little progress in Polly Peck audit

By David Barchard

THE INDEPENDENT audit of Polly Peck International's operations promised by the board on October 5 has failed to make any headway in Turkey or Cyprus, the two countries where more than 70 per cent of the group's profits were made last year.

Two British accountants, Mr Richard Stone and Mr Jim Truscott, flew back to London on Tuesday evening. It had become evident that there was little prospect of gaining access in the near future to Polly Peck's Cyprus operations as well as some in Turkey, including Meyna, the fruit export company which is believed to account for most of the group's profits.

Yesterday Coopers & Lybrand Deloitte said it had been given a courteous reception by Mr Asil Nadir and other Polly Peck officials, and two teams of accountants were in Istanbul, standing by to go into the group's operations in Turkey and Cyprus as soon as possible.

However, the auditors face an interim court order which prevents them from going into any of the nine Polly Peck companies operating on the island.

Yesterday a Turkish Cypriot judge in Nicosia, Mr Hasan Sönmezerdem, ruled that the ban should stay in force until the court's next hearing on November 26. The injunction is being sought by a group of orange farmers in Cyprus who say the controversy surrounding Polly Peck is hurting their business.

In spite of claims by Turkish Cypriot opposition politicians that the farmers' action is not displeasing to Mr Nadir, Mr Menteş Aziz, his lawyer in Nicosia, said he had tried to fight the ban.

"It did sound a bit funny to us. We have been put in an embarrassing position," he said. "The ban came just at a time when we were instructing the release of the documents."

Even before the injunction was issued, the auditors had been refused access to the books of Meyna, the fruit and vegetable export company on the Turkish mainland.

Meyna's accounts are important for understanding Polly Peck's finances. Although the group has never divulged any detailed information about the operation, it is generally believed to be the only possible source of most of Polly Peck's extraordinary profits.

Though it is based on the mainland, Meyna has been listed among the Turkish Cypriot companies covered in the injunction.

Mr Menteş said the court injunction meant that the two Turkish Cypriot directors of Polly Peck, Mr Nadir and Mr Radar Reşat, could theoretically be sued in Cyprus for contempt of court if they allowed the auditors access to the group's records anywhere else in the world.

Nadir statement on investments in north Cyprus and Turkey

MR ASIL NADIR, chairman of Polly Peck International, issued the following statement in Turkish yesterday in Istanbul:

"There has been a great deal of speculation in the last few days, in the press and public opinion, about the situation of Polly Peck plc in London. Because of this, it has become necessary to make this announcement.

"Polly Peck International's investments in Turkey such as the Vestel Electronic Group, Meyna Agriculture Group, and the Sheraton Voyager Hotel are prime and essential for us and will be maintained in the most healthy form in the future with their high performance just as they are today.

"These investments of ours will be specially protected from external interferences and there is no question of their being financially affected by events in London. Furthermore no transfer abroad of resources from these operations has been made until now and no such transfer is being contemplated.

"My operations in Turkey and the Turkish Republic of Northern Cyprus, along with a healthy future for them, have always come before all else for me. Just as all my efforts until now have been aimed at continuing my group and personal investments in Turkey and Northern Cyprus in the most healthy fashion, so they will continue to be. I want all those who work for us to be reassured by the knowledge of this.

Asil Nadir: operations in Turkey and Cyprus paramount

I am determined to continue my struggle, under whatever conditions, conscious of the international political calculations and expectations [which lie] behind the curtain of the events we are up against. I am conscious of the serious situation we would face regarding the national Cypriot cause should these [calculations and expectations] be realised.

I believe that Turkish public opinion will be able to make the soundest appraisals in this regard."

Norwegians committed to Del Monte deal

By Andrew Baxter

KVAERNER, the Norwegian industrial and shipbuilding group, yesterday moved to allay concerns over its involvement in a £142m long-term ship charter deal with PPI Del Monte Fresh Produce.

The deal, announced in May, involved the sale by Polly Peck, with charter-back, of nine new Del Monte reefers or refrigerated cargo vessels.

Polly Peck acquired rights to the vessels as part of its $875m purchase of the Del Monte fresh fruit operation last year, and the deal was an important step in reducing gearing.

The purchaser of the ships is a consortium including Kvaerner and a group of Norwegian investors. The deal was one of the largest in reefer ship history.

Kvaerner is due to buy three ships outright and has a 30 per cent interest in a fourth, producing an expected total outlay of $98.5m.

Six of the ships, all of which were built in Spain, have been delivered, but the three being bought by Kvaerner are not expected to be delivered until early 1991. Kvaerner has paid over its share of payment for the fourth ship to Polly Peck, but the bulk of its investment, for the other three ships, has been prepaid into an escrow account.

Kvaerner's involvement in the deal has caused anxiety in Oslo. Speculation that it could bring the company heavy losses led to a sharp fall in its share price last month. The company subsequently wrote to the Oslo Stock Exchange denying that it faced heavy losses, and said there were no indications that the deal might fail.

In London yesterday, Mr Erik Tonseth, Kvaerner's president and chief executive, said his company "had no exposure to Polly Peck, but we do not want to walk away from the deal. It is an interesting opportunity for us and other Norwegian investors which we don't want to miss."

The aim is for the ships to be chartered back to PPI Del Monte under a 10-year agreement. Mr Tonseth said that if Polly Peck could not fulfil its commitments, it would have to take delivery of the three Kvaerner ships anyway, allowing the Norwegian company to walk away from the deal.

Kvaerner to list shares in London, Page 26

Norton calls for £6.5m

By Andrew Bolger

NORTON Group, the motorcycle and specialist engineering group, has announced a 15-for-4 rights issue at 20p to help fund the acquisition of a German fastener manufacturer for a total of £8.2m.

Norton is paying £4.8m for Wardstab, the UK holding company for FUS Beteiligungs-und Verwaltungs, which supplies specialist fasteners to the electrical, automotive and consumer durable market.

It is also assuming a liability of £1m owed by FUS and is paying £2.4m for land and factory occupied by FUS in Germany.

In the last financial year FUS made pre-tax profits of DM4.1m (£1.39m) on turnover of DM19.9m. For the first half of this year, the audited turnover rose to DM11.8m, with pre-tax profits of DM2.5m.

The rights offer, fully underwritten by TC Coombs, Norton's stockbroker, will raise a net £6.5m.

As the offer price is below the nominal value of the existing ordinary shares, the share capital must be reconstructed.

New chief leads restructuring at Sunleigh

By Andrew Jack

SUNLEIGH, the USM-quoted golf products and electrical goods manufacturer, yesterday appointed a new chairman and announced a major restructuring to focus on leisure activities, while reporting pre-tax losses of £191,000 for the six months to June 30 and passing the dividend.

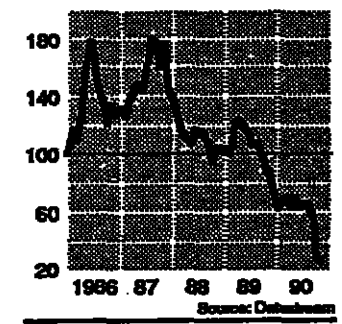
Mr David "Sandy" Saunders, chairman of Howmac, the industrial management and finance company, has replaced Mr Tony Merryweather, who said he had "agreed to step down from the chair immediately and lend my future support in a non-executive role."

The appointment follows Howmac's purchase of 9 per cent of Sunleigh shares in a vendor placing last April. Mr Saunders joined the board as a non-executive director at that time and had since then been examining ways to restructure.

The Huddersfield-based company, which makes Powa Kaddy electrically-operated golf trolleys, said it would concentrate on leisure products, while hiving off its industrial businesses into a new subsidiary called Hallamcrest which would be independently financed.

Sunleigh

Share price relative to the FT-A All-Share Index



Mr Saunders said Hallamcrest would be expected to restore "acceptable levels of profitability and repay intra-group indebtedness of £5m." It might split into two divisions and was likely to "merge with another quoted group," he said. Sunleigh's shareholding would ultimately reduce from 100 per cent to zero.

Sunleigh would "almost certainly look for another product to provide cash through licensing, internal development or acquisition," he said. "It will probably be a precision engineered product and quite likely to do with sports."

The company has also established Powakaddy Marketing to use its brand name for a variety of purposes including endorsements.

The changes follow interim losses of £191,000, against profits of £1.41m in the comparable half. Turnover fell to £11.12m (£11.51m).

The group was dragged into the red by exceptional items of £853,000 and a decline in trading profits of its industrial products division to £171,000 (£869,000).

The company made provisions of £400,000 against the possibility of a bad debt, £250,000 for rectifying a component failure and £180,000 against stock which it believes it is unlikely to dispose of as anticipated.

There was an extraordinary debit of £250,000 against losses on stocks and plant as a result of divestment from part of the industrial products division.

Trading profits rose slightly to £894,000 (£858,000) in leisure products, which produces the golf trolleys and Associated Supplies, a wholesaler of leisure clothes.

The loss per share was 0.25p (restated earnings of 3.21p). There is no dividend (0.75p). The shares shed 2p to 17p.

The Telfos tale becomes more tangled

By Maggie Urry

THE TALE of Telfos Holdings, the locomotives, rolling stock, investment and property dealing group, has become more tangled with the resignation of Mr Jonathan "Jo" Malins, the chief executive on Tuesday.

Mr Malins, who has in the past courted publicity, was unwilling to comment after his resignation.

Mr Clive Harrison, a non-executive director of Telfos, and senior partner of Fiske & Co, its stockbrokers – in which Telfos has a 13.5 per cent stake – was also reticent yesterday about the reasons for Mr Malins departure. Mr Edward Duke, who had been head of the group's engineering business, has been appointed managing director.

Mr Malins resignation was apparently brought about by a disagreement with the rest of the board over lack of progress being made on the sale of the company's investment and property activities and not about the core business.

Meanwhile, the climate for making sales of the investment and property activities has been deteriorating and Telfos will have to make provisions against the assets, which earlier this month it said would be higher than it originally hoped.

As yet Telfos can give no idea of how big these provisions might be. Mr Harrison said yesterday that shareholders "will be given a progress report as and when we do anything". He said he hoped this would be a matter of weeks rather than months.

Investors had not been chirpy before Tuesday's curt announcement of Mr Malins departure. A £13.9m one-for-three rights issue at 180p in July, had been enthusiastically taken up by shareholders who believed that prospects were good for the group's core business, mainly its Hunslet locomotives and rolling stock subsidiaries. However, one large holder, Govett Strategic Investments, which at one stage had over 15 per cent of the company, did take the opportunity to sell its stake.

Since the rights, the shares had dropped to 100p before the news of Mr Malins resignation. On Tuesday they fell another 27p to 73p, but closed 2p higher at 75p yesterday.

One large shareholder said yesterday, "it is a very unsatisfactory situation. The fall in the share price since the rights is entirely related to lack of clarity in information." He said that until details of the new provisions were made clear, the market would assume the worst.

Shareholders are clearly concerned that a group whose core business had been increasing profits rapidly, and which looked set to profit handsomely from contracts to supply British Rail, the Channel Tunnel, London Underground and others, might be held back by losses on the non-core side.

Telfos's last accounts, for the calendar year 1989, showed extraordinary provisions of £6.6m against two investments, which, although offset by some gains, resulted in a retained loss and a transfer from reserves to cover the dividend.

Pennant Props in receivership

By Vanessa Houlder, Property Correspondent

PENNANT PROPERTIES, the Australian-controlled international development company, yesterday went into receivership.

Pennant, formerly Country & New Town Properties, was exposed to the property downturn that extended throughout its markets in the UK, North America and Australia. It has been dependent on the support of its bankers since November 1989, when Bay Financial, the Boston-based property group in which it had a 56.3 per cent stake, sought protection from its creditors under Chapter 11.

In May, it announced interim pre-tax losses of £4.81m, and passed its preference and ordinary dividends. It said that the continued support of its lenders depended on the disposal of two London properties, which were proving difficult to sell.

Mr Colin Bird and Mr Michael Gercke of Price Waterhouse have been appointed administrative receivers.

Chairman and a director resign from Cityvision

By Richard Gourlay

CITYVISION, the UK's biggest video film-hire company, yesterday accepted the resignation of Mr David Quayle, the non-executive chairman who was instrumental in setting the early direction of the fast moving retailer.

His resignation, and that of Mr Colin Gervaise-Brazier, a non-executive director, was accepted following "differences of view regarding the future direction of the business," the board said.

Once Cityvision had opened 500 video outlets by the middle of this year Mr Quayle wanted to branch out into non-core businesses like restaurants and one-off ventures, said Mr Bev Ripley, the deputy chairman who takes over as acting chairman.

Cityvision yesterday said its pre-tax profits would be 30 per cent up on last year's figure of £12.5m.

Cityvision's share price, which has fallen from 81p at the beginning of October, closed yesterday up 1p at 40p. Mr Ripley said there had been a strong feeling among institutional investors that any diversification away from the company's core-business would be unwelcomed.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange.

TODAY

Interims- Airflow Streamlines, Elliott (B), Ferguson International, Fleming Japanese Investment Trust, Fleming Universal Investment Trust, Petrocon, Securities Trust of Scotland, Toshiba.

Finals- Benson, Govett Strategic, Majedie Investments, New Frontiers Development Trust, Pegasus, Ramar Textiles, UDO.

FUTURE DATES

Interims-	
ASEA	Nov. 16
Anglo American Coal	Nov. 1
British Borneo	Oct. 31
Electrocomponents	Nov. 14
Landu	Oct. 29
London & Edinburgh Trust	Nov. 2
Sainsbury (J)	Nov. 7
Stormgard	Nov. 7
Tullow Oil	Oct. 31
VSEL Consortium	Nov. 14
Worth Investment Trust	Nov. 5
Finals-	
Anglo Park	Oct. 30
Tiger Oats	Nov. 8
VTR	Oct. 30

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Bisec ......int	0.5	Jan 3	0.33	-	1
British Assets ......fin	1	Jan 4	0.875	3.85	3.3
Invest Cap Tst ......fin	1.25	Dec 7	1.1*	4.85	4.25*
Overseas Inv Tst ......fin	1.65	Dec 21	1.45	2.4	2.15
Smiths Inds ......fin	6.3	Jan 9	5.65	9.9	8.9
Sunleigh § ......int	nil	-	0.75	-	2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

NEWS DIGEST

DY Davies shares fall on warning

DY DAVIES, the USM-quoted group which provides architectural and allied services, is likely to report a loss for the half year to October 31. The shares lost 18p to close at 60p.

Shareholders were given that warning at the annual meeting yesterday.

Mr David Davies, chairman, said turnover of three subsidiaries had been greatly reduced by ongoing delays on projects and a slowdown in inquiries. The core business, DY Davies Associates, continued to trade profitably.

In the first half of 1989 pre-tax profit was £633,000, rising to £1.45m by the year-end.

Mr Davies said steps had been taken to reduce the cost base. Office space surplus to requirements was being let, and staff numbers had fallen by more than 25 per cent.

Nav falls 22% at British Assets Trust

The net asset value of British Assets Trust was 74.8p as at September 30 1990, a decline of over 22 per cent on the previous year-end figure of 96.8p.

Directors of the trust, part of the Ivory & Sime stable, said the decrease compared with a fall of 17.7 per cent in the FT-A All-Share Index.

Earnings per share improved to 4.17p (3.56p) and the recommended final dividend of 1p lifts the total for the year to 3.85p. A total of at least 4p is forecast for the current year.

Clydesdale Trust asset value drops

At September 30, net asset value per share at Clydesdale Investment Trust had declined to 91.82p, from 106.13p six months earlier and 115.2p at September 30 1989.

Earnings per share for the year to end-September rose from 3.11p to 3.45p, and the total dividend is 3.45p (3.1p) with a final of 2.45p.

Total income was £843,000 (£794,000) and pre-tax revenue £600,000 (£552,000).

Plastiseal suffers exceptional costs

Exceptional costs hit Plastiseal in the half year ended July 31, pulling down pre-tax profits from £526,000 to £456,000.

Trading profits rose 19 per cent to £628,000 from turnover ahead 44 per cent to £11m. The group, which is quoted on the USM, makes and installs uPVC, aluminium and wood windows and doors.

Mr Howard Manttan and Mr Mike Price, joint chairmen and chief executives, said the modest increase in operating profits was achieved in a difficult climate and reflected the overall strength of the group.

Reorganisation taken would enable the group to respond quickly to the increase in demand envisaged in the next six months. Steady progress in profitability should be maintained during the second half.

The exceptional charges comprised £111,000 loss through the insolvency of a main contractor and £61,000 rationalisation costs.

Earnings fell to 3.7p (4.5p). Interim dividends are initiated with a payment of 1.5p.

Cambridge Group expands by 59%

Organic growth and the expansion of international operations boosted Cambridge Group in the six months to August 31.

This Irish-based financial services organisation saw pre-tax profits expand 59 per cent, from I£1.23m to I£1.96m (£1.77m).

Turnover surged 77 per cent to I£12.14m (I£6.85m).

Mr Colm Menton, chairman, said the Irish leasing operations grew in line with the market. Trading in all areas of the business had been buoyant with the exception of stockbroking.

The two acquisitions, Cambridge Asset Finance, in Preston, and Cambridge Vendor Finance, in Crawley, should be strong contributors to profit in the future.

Profits in the second half should be higher, he maintained.

Earnings came to 2.78p (1.94p) and there is an interim dividend of 0.4p.

First Charlotte net asset value declines

Net asset value of First Charlotte Assets Trust declined further over the six months to September 30 1990.

At that date nav came to 9.72p, against 12.18p six months earlier and 15.28p at September 1989.

In the latest half year earnings per share fell from 0.12p to 0.07p, after total income declined to £195,000 (£246,000).

Investors Capital assets down 20%

Net asset value per share of Investors Capital Trust stood at 91.3p at September 30, a fall just over 20 per cent on the 114.9p of a year earlier.

Total revenue for the 12 months rose from £17.3m to £18.65m and earnings per share from 4.61p to 4.95p, after tax of £4.16m (£3.91m).

The total dividend payment is increased from 4.25p to 4.85p with a proposed final of 1.25p.

The directors said that with current uncertainty in the Gulf no nearer a conclusion and the likelihood of a further deceleration in the rate of economic growth, the outlook for the UK market in 1991 was less certain than it had been for some time.

They added, however, that the increase in the final dividend indicated a minimum payment of 5p for the year to September 30 1991.

Yearlings interest rate at $13\frac{1}{16}$%

The interest rate for this week's issue of local authority bonds is $13\frac{1}{16}$ per cent, down $\frac{15}{16}$ of a percentage point from the last issue two months ago.

This compares with 14% per cent a year ago.

The bonds are issued at par and are redeemable on October 30 1991.

A full list of issues will be published in tomorrow's edition.

COMMODITIES AND AGRICULTURE

Platinum producer claims it will survive downturn

By Philip Gawith in Johannesburg

RUSTENBURG PLATINUM Holdings, the world's largest platinum producer, will have a market for its expanded production capacity and is well positioned to weather any downturn in the platinum market says Mr Pat Retief, its chairman.

Speaking yesterday at the annual general meeting of Rustenburg and its sister company Lebowa Platinum, both in the Johannesburg Consolidated Investments (JCI) group, Mr Retief rejected the view that platinum was "an industrial metal caught inevitably in a web of world-wide recession, with consumption reducing yet supply increasing."

The platinum price was recently driven down to $389 a troy ounce, its lowest level in four years. Mr Retief listed four factors behind the bearish sentiment:

- The belief that platinum, a vital element in controlling exhaust emissions from cars, would be consumed in smaller quantities as world recession cut motor car sales.
- Lower Japanese purchases, particularly in the important jewellery sector, because of the recession.
- Potential investors in platinum preferred to invest in interest bearing deposits.
- Fear that increased production by South African producers would soon lead to surpluses.

Mr Retief sought to rebut each of these points.

Regarding the car industry, he said: "tighter emissions legislation is already requiring the US auto industry to use more PGM (platinum group metal) per vehicle and we predict that these higher loadings will at least balance any reduction brought about by lower car sales."

Even more important, he said, was the fact that "at present only 30 per cent of current production of automobiles in western Europe are fitted with catalysts and by 1998 when legislation will require that all new vehicles are so equipped, extra demand will approach 500,000 ounces."

Regarding Japanese jewellery demand, the second largest sector, Mr Retief said sales continued to rise with 1990 seeing a new record consumption of 38-39 tonnes, some 100,000 ounces higher than in 1989.

Mr Retief conceded that investors had recently avoided platinum, but stressed that "investment is an insignificant consumer of physical platinum today." He said investment demand in 1989 was only 5 per cent of total demand and that figure would probably fall to 2 per cent in 1990.

He agreed that the increased supplies by the mid-1990s would lead to a more competitive market, but felt that Rustenburg and Lebowa were well protected from any downturn by virtue of being low-cost producers and having access to strong marketing and distribution networks.

Soyabeans feel pinch after Brazil policy shift

By Victoria Griffith in Sao Paulo

THE SOYABEAN and soyabean oil markets of Brazil have been thrown into a severe crisis by the economic policies of the new Collor administration. Changes in the financial and economic environment – such as lower inflation, an overvalued cruzeiro, elimination of subsidies and scarce credit, to name a few – are exacting a heavy toll from an industry that was, until recently, a source of pride.

President Fernando Collor de Mello took over last March after defeating his socialist rivals.

The size of the latest crop shrank to 19m tonnes from 24m tonnes a year earlier and industry forecasters are predicting that the next harvest will be still smaller. Even worse has been the decline in exports, which are expected to fall to a value of $2.9bn this year against $3.6bn in 1989.

As in other Brazilian industries, lower inflation exposed weaknesses in the soyabean market that had previously been masked by the profit-making opportunities presented by the fast-falling cruzeiro, since costs were met in devalued local currency while foreign currency returns rose measured in domestic units.

Profits from hyper-inflation were translated into over-investment in plant capacity, which has reached a level of about 30m tonnes a year. Quite simply, there are not enough soyabeans grown in Brazil to keep all that plant employed.

In an attempt to cut the fat, soyabean companies have begun to close down some of their less profitable plants. Copaza has failed to put into operation a recently constructed factory in Dourados and Cargill closed one of the plants it acquired last year from OK Group.

Many of the plants that are being eliminated are located far from Brazil's ports, although deterioration in railway and road transport in Brazil has exacerbated the soyabean sector's problems. Keeping down transport costs is essential for the soyabean industry, whose products are extremely heavy and this is especially true of heavy soya powder producers.

Over the past four decades, soyabeans have enjoyed vast expansion in Brazil, with production surging to 19m tonnes from just 457 tonnes in 1941.

Through cost-cutting, the industry hopes to recuperate some of the heavy losses it has suffered in recent months and it may be helped by relatively stable international prices, which have hovered between $220 and $230 a tonne this year.

Global warming could cut cereal crops, study warns

By David Thomas, Resources Editor

WORLD CEREAL production could fall by 5-10 per cent by about the year 2030 as a result of global warming, a leading expert on the effect of climatic change on agriculture said yesterday.

Mr Martin Parry, professor of environmental management at Birmingham University, was speaking on the publication of a book dealing with global warming and world food production.

Mr Parry was the leading author of a study prepared on this subject for the United Nations sponsored Inter-governmental Panel on Climate Change, which is due to report to a large ministerial conference in Geneva next week.

Warmer, dryer conditions could cause losses in agricultural production of 10-30 per cent by about 2030 in mid-latitude "bread-basket regions", such as the US Great Plains, the Canadian Prairies, the north European lowlands, the Soviet Ukraine, the Australian wheat belt and the Argentine pampas, the book says.

The US alone could suffer falls in the net value of agricultural output of $33bn annually, with the largest reductions in sorghum (20 per cent), maize (13 per cent) and rice (11 per cent).

Some high latitude regions in the northern hemisphere, such as northern Europe, would increase their output substantially due to wetter, warmer weather. Mr Parry calculates that each one degree centigrade increase in average warming will shift the boundaries for growing crops 300 kilometres northwards.

A warmer climate could therefore increase annual rice production in Japan by about 3 per cent, while agriculture in Scandinavia might gain more than any other region.

However, the book argues that these gains will not be sufficient to compensate for losses in other areas.

The regions at most risk from climate change, Mr Parry says, are arid and semi-arid areas, such as the Sahel and the Horn of Africa. In Kenya, for instance, an increased frequency of dry years could reduce yields of maize by 30-70 per cent.

Mr Parry said yesterday that this could result in more famines in, and mass migrations from, those areas that are already vulnerable.

He accepted that there were many uncertainties about regional projections, but defended his work as the best estimates of what would happen if no action was taken to combat global warming. The UN-sponsored scientific assessment, published this summer, said that global temperatures would increase by 1.1 degrees C by about 2030 in the absence of countervailing action.

Mr Parry also acknowledged the belief of some scientists that warming could increase food production, but he suggested that this would be an unlikely outcome.

Climate Change and World Agriculture by Martin Parry. Earthscan Publications, 3 Endsleigh Street, London WC1H ODD. Price £9.95.

EC close to ban on US meat sales

POOR HYGIENE in some US slaughterhouses could lead the European Community (EC) to ban some American meat imports next month, EC officials said yesterday reports Reuters from Brussels.

EC inspectors carrying out normal twice-a-year inspections said they found rotten kidneys and liver stamped as approved for export. Checking of animal carcases was simply not up to scratch, the EC veterinary committee said in a statement after unanimously recommending the ban.

An official said that the EC had been criticising US hygiene standards since 1983.

It is envisaged to ban pork imports on November 1 and beef imports would stop next January 1. The full EC Commission has yet to approve the move, but is expected to do so.

The advice followed routine inspections of US fresh meat plants confirming that hygiene was not up to community standards, an EC official said.

US pork exports to the EC were worth $13.5m last year and beef exports were worth $100m.

Gold miners dig only rich ores

By Kenneth Gooding, Mining Correspondent

LATEST REPORTS from the South African gold producers show that many are being forced by current low prices to "high grade" or concentrate on the recovery of richer and more easily accessible ore.

High-grading over the longer term can reduce the chances of lower grade ores eventually being mined and will often shorten a mine's expected life.

However, Mr Graham Birch, an analyst with Ord Minnett, suggests that this action by South Africa's higher-cost mines "is a necessary and sensible response to reduced profitability: but it shows the stress the industry is under at the moment.

"There is no doubt that real pain is being felt in the South African gold mining industry at current gold prices."

It has been estimated that about half of South Africa's gold mines, responsible for roughly a quarter of that country's output would be unprofitable at today's gold price, unless they took some action such as high-grading or cutting their output.

"Those mines without the *flexibility* to raise grades will be faced with tough closure decisions soon," says Mr Birch.

One of the most significant examples of current high grading is the Anglo American Corporation's Freegold mine, the world's largest gold producer but one that is relatively high-cost. Anglo's latest quarterly report shows Freegold raised its grade by more than 10 per cent which pushed up gold production by 105,000 troy ounces helping to restore the mine's profitability.

East Rand Proprietary Mines, a perennial loss-maker at much higher gold prices than today's, raised its ore grades last quarter by a huge 32 per cent. In Mr Birch's words: "this turned a moster loss into a reasonable profit."

Among those mines which cut output to increase profitability were Western Areas, down by 12 per cent in the latest quarter, Buffels, down 10 per cent, and Grootvlie, down 24 per cent.

Anglo American Corp has also given a warning that it may defer the development of its proposed Moab gold mine in South Africa. Mr Julian Ogilvie Thompson, the chairman, said: "You wouldn't want to launch into a major project such as Moab if you're feeling uncomfortable about the gold price."

Mr Robin Plumbridge, chairman of Gold Fields of South Africa, suggested recently that the so-called "taughter approach" demanded by the current gold price would inevitably spill over to the profitable South African mines, and the 12 leading mines are already highly competitive in world terms.

"Closure of shafts where mining is uneconomic seems unavoidable," he said. All this would lead to redundancies in the industry, Mr Plumbridge warned.

Indian cotton yield to exceed 15m bales

By Kunal Bose in Calcutta

INDIA IS set to harvest a record cotton crop of just over 15m bales (170 kg each) and could export anything up to 2m bales during the 1990-91 season (September to August).

Last year, when the crop was about 13.4m bales, the country sold nearly 1.5m bales abroad for about Rs6.5bn (£180m). Although the global cotton supply situation has improved in the current year, Indian officials believe it should be possible to earn Rs10bn from exports in 1990-91.

In the first phase, coinciding with the commencement of arrival of new season cotton, the central government has sanctioned an export quota of 500,000 bales of cotton plus 25,000 bales each of yellow pickings and soft cotton waste and 100,000 kgs of hard cotton waste. As the season progresses and arrivals of cotton gain in momentum, further export quota releases will be made.

Officials admit that without exports of the order of 2m bales, cotton prices may collapse in village markets.

Official support prices for cotton in the current season have been raised by 9 per cent to offset the rise in cultivation costs and also to sustain farmers' interest in the crop. The Indian cotton farmers' lobby is particularly strong and neither the central government nor the state governments will allow a sharp fall in prices.

Excellent weather conditions in most growing areas and an increase in land under cultivation have combined to produce the record crop. Encouraged by good returns last year, Indian farmers have grown cotton on 8m hectares, compared with 7.5m hectares last year.

India has the largest area under cotton, but because of the use of low quality seed and antiquated farm practices, its yields are less than half the world average.

Including the opening stock of 3m bales, the total supply of cotton in 1990-91 will be 18m bales. The textile mills' requirement is estimated at about 11m bales, while non-mill use will at the most be 700,000 bales.

After providing for export of 2m bales the stocks to be carried forward to next year will be 4.3m bales. Year-end stocks may be still higher if crop estimates are revised upwards while the season progresses, as happened last year.

Emboldened by two consecutive bumper crops, the Indian government has taken a policy decision that every year a minimum of 500,000 bales of cotton will be exported. Indian authorities have finally realised that the interests of growers could best be protected by exporting part of the crop.

Aluminium 'never waste'

By Richard Mooney

INCLUSION of aluminium scrap in the European Commission's waste directive was "incomprehensible", Mr Jan Schothorst, president of the Aluminium Federation, said in a speech prepared for delivery at the federation's annual dinner in London last night.

He said aluminium was the most successful recyclable material and added that "any attempt to impose regulations designed for real waste onto a material as valuable as aluminium can only be to the detriment of our recycling initiatives."

Aluminium for recycling was "the most valuable raw material for our industry and should not now or ever be regarded as waste," Mr Schothorst insisted last night.

"It can be used to produce aluminium cans from old cans, motor car components from old motor car components, window frames from old window frames."

CORRECTION

Yesterday's survey

A PRODUCTION error resulted in four lines being lost from the introductory article to the Aluminium survey, which appeared in yesterday's FT. The four affected paragraphs should have read as follows:

"Some analysts, after reviewing plans by Japanese and other automotive groups, are forecasting that the use of aluminium in the average US-built car, 169lbs last year, will jump to 600lbs by the year 2000."

"Already there are several aluminium products which lend themselves to "closed loop" recycling programmes, beverage cans and automotive castings among them. More than 75 per cent of the aluminium used in cars today is recycled metal. The aluminium industry is certain it will benefit as more and more new products are *designed* with recyclability in mind."

"But back in the early 1980s the aluminium and car industries began working on longer-term projects involving vehicles which would be made almost entirely from aluminium; "space frames" of the metal on which panels of aluminium, steel or plastic could be welded or bonded."

"Alcoa, meanwhile, has been working with Audi, the up-market part of the Volkswagen group, on an all-aluminium competitor for the BMW 7-series and the Mercedes S-class cars, due to be launched in 1993."

Colombian coffee stock estimates vary

COLOMBIA'S Private Coffee Exporters' Association has estimated that the country's coffee stocks stood at 4m bags (60 kg each) at the end of September, of which 1.4m bags were of exportable quality, Reuters reports from Bogota.

However, this estimate conflicted with figures from the semi-governmental National Coffee Growers' Federation, one of whose officials said stocks at October 1 totalled 4.83m bags, all of it exportable.

The federation estimate included coffee in its warehouses, process plants, with exporters and at ports. The association estimate was only coffee in federation warehouses.

The association reckoned exportable coffee production in 1990-91 (October-September) at between 11.7m and 12.6m bags. It put Colombia's export capacity at 11.7m bags if production was at the lowest estimate and only fresh coffee was exported, or as much as 13.9m bags if production was at the highest estimate and stocks were used.

The amount of exportable stocks is vital to determine whether Colombia can continue exporting coffee after the breakdown in July 1989 of the ICA export quotas.

MARKET REPORT

COCOA PRICES added to Tuesday's gains yesterday, with the March position on the London Futures and Options Exchange ending £18 up at £729 a tonne. Traders said the move reflected nervousness over the political situation in Ivory Coast, where presidential elections are to be held on October 28. "New York came in strong this afternoon, which also helped to bolster prices," one added. Robusta coffee futures were described as *"quietly mixed"* after absorbing recent fund selling. The January position closed £5 up at £585 a tonne. At the London Metal Exchange, copper prices closed higher for the fifth day in succession, but the three months position's apparent £13 rise actually took place in after-hours trading on Tuesday. And in after-hours trading yesterday the price slipped £4 to £1,383. Traders said prices had eased after the New York market ran up against a chart barrier close to 123 cents a lb for December futures. Other LME markets were little changed, with the exception of nickel where sporadic commission house liquidation pushed the three months price down by $225 to $8,437.50 a tonne and the cash price fell below $9,000 a tonne.

Compiled from Reuters

WORLD COMMODITIES PRICES

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$25.85-5.95y	+0.65
Brent Blend (dated)	$29.85-9.95	+0.80
Brent Blend (December)	$28.30-8.40	+0.80
W.T.I. (1 pm est)	$30.30-0.40y	+.525
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$333-338	+10
Gas Oil	$277-279	+7
Heavy Fuel Oil	$120-124	+6½
Naphtha	$300-305	+20
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$371.75	-0.25
Silver (per troy oz)♣	424c	-2
Platinum (per troy oz)	$424.5	+2.5
Palladium (per troy oz)	$94.75	+0.25
Aluminium (free market)	$1925	+10
Copper (US Producer)	136c	+5
Lead (US Producer)	50c	
Nickel (free market)	410c	-10
Tin (Kuala Lumpur market)	16.49r	+0.08
Tin (New York)	289c	
Zinc (US Prime Western)	70c	
Cattle (live weight)†	100.72p	+1.15*
Sheep (dead weight)†	128.13p	+5.44*
Pigs (live weight)†	89.79p	-4.77*
London daily sugar (raw)	$255.0q	-9.0
London daily sugar (white)	$311.0q	-6.0
Tate and Lyle export price	£239.5	-5.0
Barley (English feed)	£118v	
Maize (US No. 3 yellow)	£157.25	
Wheat (US Dark Northern)	£91	
Rubber (Nov)♥	50.50p	-0.50
Rubber (Dec)♥	50.25p	-0.50
Rubber (KL RSS No 1 Nov)	287.5m	-1.0
Coconut oil (Philippines)§	$300q	
Palm Oil (Malaysian)§	$302.5q	
Copra (Philippines)§	$210t	
Soyabeans (US)	£141.5	
Cotton "A" Index	82.40c	
Wooltops (64s Super)	406p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Jan. u-Oct/Dec v-Nov. w-Oct/Nov z-Jan/Mar y-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	225.00	222.00	221.00
Mar	219.80	218.60	220.40 216.60
May	220.40	219.60	221.40 217.20
Aug	222.60	221.80	222.80 219.40
Oct	223.60	222.80	224.00 222.80
Dec	224.00	223.00	220.00
Mar	224.60	225.00	223.00

White	Close	Previous	High/Low
Dec	303.0	304.5	305.0 301.0
Mar	300.0	299.0	301.0 297.5
May	300.7	298.5	301.5 294.5
Aug	303.0	302.0	303.0 296.0
Oct	294.0	293.5	294.0 290.7
Dec	292.5		291.0 289.5
Mar	294.0	293.5	292.5 290.0

Turnover: Raw1690 (2041) lots of 50 tonnes. White 3278 (1456)
Paris- White (FFr per tonne): Dec 1528 Mar 1518, May 1526, Aug 1546, Oct 1605

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Dec	29.96	28.31	30.30 28.40
Jan	29.05	27.30	29.29 27.45
Feb	28.20	26.60	28.05 27.50
Mar	27.00	25.60	26.95 26.95
IPE Index	28.37	28.13	

Turnover: 26861 (22035)

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Oct	1315	1328	1310
Nov	1293	1333	1310 1285
Jan	1268	1290	1275 1250
Apr	1250	1270	1255 1250
BFI	1328	1336	

Turnover 228 (696)

WOOL

With Australian support purchases still around 70%, all other sources hover more or less well below the reserve prices which involve such huge financial burdens to Australia. Even at prices well below the Australian floor, auction clearances elsewhere are very low. This is evidence of the vast problem of over-supply in the world wool market. Despite Australian efforts prices still tend to soften. Lower interest and exchange rates there have been a cause of the most recent reductions. Trading throughout the world industry is highly competitive, hand-to-mouth and activity is well below normal.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	683	668	686 669
Mar	729	711	730 712
May	757	737	758 745
Jul	777	760	777 769
Sep	799	784	801 792
Dec	827	811	828 820
Mar	855	840	857

Turnover:3586 (3399) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 23 897.83 (883.61) 10 day average for Oct 24 897.96 (900.85)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	567	563	568 559
Jan	585	580	585 577
Mar	572	572	572 568
May	580	581	580 576
Jul	597	594	597 595

Turnover: 7810 (5808) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 23: Comp. daily 72.96 (73.13). 15 day average 74.32 (74.39)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	137.6	141.4	141.0 137.0
May	157.0	160.5	159.5 159.0

Turnover 258 (303) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Dec	111.50	110.50	111.50
Feb	123.60	124.50	123.60
Apr	126.00	125.50	126.00
Jun	124.50		124.50
Aug	126.00		126.00 125.00

Turnover 103 (130) lots of 20 tonnes.

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Nov	265.00	257.75	268.00 258.50
Dec	259.75	250.00	262.00 249.00
Jan	252.75	242.00	253.50 242.00
Feb	240.50	231.50	242.50 235.00
Mar	228.00	220.00	228.00 227.00
Apr	212.50	207.00	220.00 210.00
Jun	206.00		206.00 206.00

Turnover 12260 (15842) lots of 100 tonnes

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Nov	114.45	114.75	114.90 114.40
Jan	118.90	119.20	119.40 118.90
Mar	122.50	122.75	122.90 122.50
May	125.90	126.20	126.35 126.00

Barley	Close	Previous	High/Low
Nov	112.95	113.05	113.15 112.70
Jan	117.45	117.55	117.75 117.20
Mar	120.60	120.70	120.60 120.50

Turnover: Wheat 502 (524), Barley 221 (146). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	99.0	100.0	99.5
Jan	93.0		92.5
Feb	95.0		94.5

Turnover 26 (60) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 20,149 lots	
Cash	1915-20	1923-8	1928	1928-9		
3 months	1775-7	1786-90	1792/1775	1782-4	1777-8	75,366 lots
Copper, Grade A (£ per tonne)					Total daily turnover 23,725 lots	
Cash	1400-1	1388-9	1408/1393	1408-8		
3 months	1387-8	1374-5	1400/1381	1392-4	1382-3	109,757 lots
Lead (£ per tonne)					Total daily turnover 2,163 lots	
Cash	381-3	379-81	391/390	390.5-1.5		
3 months	383-4	384-5	392/384	390.5-1.5	384-5	10,533 lots
Nickel ($ per tonne)					Total daily turnover 1,647 lots	
Cash	8775-825	9000-100		8800-50		
3 months	8425-50	8650-75	8600/8425	8450-75	8425-50	7,437 lots
Tin ($ per tonne)					Total daily turnover 1,435 lots	
Cash	6210-20	6280-90	6255	6255-60		
3 months	6220-2	6280-90	6280/6222	6255-60	6255-60	8,652 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 4,532 lots	
Cash	1337-40	1335-40	1335/1333	1333-4		
3 months	1334-5	1335-8	1346/1330	1333-4	1332-3	19,133 lots

LME Closing £/$ rate:
SPOT: 1.9555 3 months: 1.9283 6 months: 1.9072 9 months: 1.8875

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	371½-372	190-190½
Opening	372¼-372¾	191¼-191¾
Morning fix	371.10	190.709
Afternoon fix	371.10	190.552
Day's high	372¾-373¼	
Day's low	370-370½	

Coins	$ price	£ equivalent
Mapleleaf	381-386	195-198
Britannia	381-386	195-198
US Eagle	381-386	195-198
Angel	381-386	195-198
Krugerrand	371-374	190-192
New Sov.	89-91	45½-46½
Old Sov.	89-91	45½-46½
Noble Plat	429.55-436.45	220.75-224.25

Silver fix	p/fine oz	US cts equiv
Spot	217.10	422.65
3 months	224.80	431.55
6 months	231.75	439.75
12 months	245.45	457.10

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
550	46	49	12	28
600	20	28	36	57
650	7	15	73	94

Cocoa	Dec	Mar	Dec	Mar
650	44	102	12	23
700	18	71	36	42
750	6	47	74	68

Brent Crude	Dec	Jan	Dec	Jan
3000	170			
3050				
3100	200	215		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	373.5	371.2	373.0	371.0
Nov	373.8	371.7	0	0
Dec	376.0	373.9	376.2	372.3
Feb	380.1	378.0	380.3	376.7
Apr	383.8	381.7	382.8	380.9
Jun	387.8	385.7	384.8	384.8
Aug	391.7	389.6	0	0
Oct	395.7	393.6	0	0
Dec	399.8	397.7	398.5	396.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	422.4	422.4	0	0
Dec	426.5	0	0	0
Jan	428.3	427.9	428.5	423.0
Apr	433.8	433.4	434.0	429.0
Jul	438.9	438.4	438.5	433.5
Oct	444.4	443.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	422.3	421.9	0	0
Nov	422.9	422.7	0	0
Dec	426.0	425.8	427.0	422.0
Jan	428.0	427.8	0	0
Mar	435.3	435.1	438.0	431.5
May	441.5	441.3	441.5	437.3
Jul	447.6	447.4	448.5	446.0
Sep	453.7	453.5	453.0	453.0
Dec	462.6	462.4	463.0	460.0
Jan	465.4	465.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	129.00	132.20	132.00	129.00
Nov	124.65	128.15	125.00	124.60
Dec	120.45	122.65	122.50	120.20
Jan	117.65	119.65	118.60	118.00
Mar	113.15	115.05	115.00	112.80
Apr	112.00	113.80	0	0
May	110.90	112.55	112.80	111.15
Jun	110.00	111.55	0	0
Jul	109.00	110.55	110.70	109.30
Aug	108.00	109.50	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Dec	31.08	29.37	31.60	30.10
Jan	30.19	28.24	30.50	29.30
Feb	29.09	27.19	29.30	28.10
Mar	28.14	26.29	28.30	27.20
Apr	27.29	25.47	27.35	26.31
May	26.54	24.73	26.40	25.60
Jun	25.89	24.09	25.79	25.00
Jul	25.34	23.57	25.02	24.60
Aug	24.89	23.15	24.80	24.25
Sep	24.54	22.83	24.10	23.95

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Nov	8512	8106	8540	8260
Dec	8604	8199	8620	8360
Jan	8538	8083	8570	8345
Feb	8320	7886	8370	8120
Mar	7920	7486	7940	7725
Apr	7560	7126	7560	7450
May	7290	6856	6950	6950
Jun	7110	6676	6775	6775
Jul	7050	6616	0	0
Aug	7075	6641	6910	6790

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1227	1165	1230	1203
Mar	1282	1245	1283	1260
May	1319	1282	1320	1301
Jul	1353	1315	1358	1347
Sep	1383	1345	1392	1392
Dec	1423	1385	1425	1425
Mar	1458	1420	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	92.00	91.60	92.70	91.65
Mar	95.60	95.40	96.05	95.30
May	98.00	97.60	98.10	97.70
Jul	99.95	99.70	100.25	99.70
Sep	102.00	101.95	102.25	102.25
Dec	104.75	104.25	0	0
Mar	106.50	106.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.83	9.78	9.87	9.74
May	9.84	9.74	9.87	9.75
Jul	9.83	9.77	9.90	9.78
Oct	9.88	9.86	9.93	9.86
Mar	9.98	9.94	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	74.08	74.68	74.98	74.07
Mar	74.38	74.94	74.85	74.38
May	74.80	75.20	75.20	74.70
Jul	74.81	75.25	75.15	74.81
Oct	68.13	67.85	67.95	67.90
Dec	66.73	66.55	66.75	66.41
Mar	67.63	67.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	119.00	114.90	119.00	115.00
Jan	113.40	109.90	114.60	109.65
Mar	113.75	110.50	115.00	110.50
May	113.40	110.50	114.25	112.00
Jul	113.40	110.50	115.50	112.50

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 24	Oct 23	mnth ago	yr ago
1730.3	1734.0	1782.4	1849.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 23	Oct 22	mnth ago	yr ago
Spot	127.12	128.61	130.26	130.76
Futures	128.82	128.05	131.43	129.24

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	610/6	614/4	616/0	610/4
Jan	626/4	629/2	631/2	626/0
Mar	640/4	643/6	645/0	640/0
May	652/6	656/4	658/0	652/2
Jul	662/2	666/0	667/4	662/0
Aug	661/4	665/0	666/4	661/0
Sep	634/0	635/2	638/4	634/0
Nov	625/2	626/4	627/4	624/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	21.97	21.86	21.97	21.75
Dec	22.24	22.33	22.48	22.22
Jan	22.53	22.65	22.75	22.50
Mar	22.98	23.11	23.20	22.95
May	23.35	23.45	23.55	23.30
Jul	23.55	23.65	23.75	23.50
Aug	23.50	23.55	23.68	23.50
Sep	23.40	23.45	23.50	23.35
Oct	23.19	23.25	23.25	23.15

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	186.5	186.7	186.5	186.0
Dec	184.3	185.4	185.5	183.8
Jan	186.6	187.6	187.9	186.3
Mar	189.8	191.4	191.4	189.7
May	191.2	192.9	192.7	191.1
Jul	193.0	194.0	194.0	192.5
Aug	192.5	193.2	193.6	192.5
Sep	189.1	189.1	190.0	189.1

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	233/0	231/6	234/0	231/6
Mar	242/2	241/0	243/4	241/0
May	248/4	246/6	249/4	247/2
Jul	252/6	250/6	253/6	251/2
Sep	251/2	248/6	252/0	250/0
Dec	252/0	250/2	252/2	250/6
Mar	258/4	257/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	264/6	263/4	265/6	263/6
Mar	279/0	278/0	280/0	278/2
May	286/6	285/0	286/6	285/0
Jul	290/4	289/2	291/0	288/6
Sep	293/6	293/0	296/0	293/6
Dec	305/0	305/0	305/0	305/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	77.62	77.32	77.77	77.35
Feb	74.55	74.87	74.87	74.45
Apr	75.02	74.90	75.22	74.85
Jun	72.87	72.55	73.05	72.62
Aug	71.27	70.80	71.45	71.10
Oct	71.50	71.20	71.80	71.50

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	53.82	54.20	54.32	53.75
Feb	50.67	50.85	51.12	50.60
Apr	47.42	47.57	47.75	47.40
Jun	51.20	51.20	51.30	51.07
Jul	51.42	51.55	51.50	51.30
Aug	50.05	50.17	50.05	49.90
Oct	45.30	45.45	45.60	45.22

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	66.00	66.85	67.60	65.55
Mar	65.77	66.80	67.30	65.50
May	65.57	66.90	67.40	65.27
Jul	64.90	65.70	66.45	64.70
Aug	63.50	63.20	64.10	62.60

LONDON STOCK EXCHANGE

Nervous market waits for ICI figures

THE RECENT revival in optimism on the UK stock market was put into reverse yesterday by new reports of recessionary pressures on the British economy, together with a renewed rise in crude oil prices which took Brent North Sea for December delivery above $30 a barrel. There was little selling pressure, but the FT-SE Index moved on the downside throughout the session.

Concern about the outlook for UK corporate profits focused around prospects for ICI, Britain's highly-rated blue chip chemical company, which reports third quarter earnings today. The immediate trend for the market will probably be set by the ICI trading report, according to City analysts.

Account Dealing Dates		
*First Dealings:		
Oct 8	Oct 22	Nov 5
Option Declarations:		
Oct 18	Nov 1	Nov 15
Last Dealings:		
Oct 19	Nov 2	Nov 16
Account Day:		
Oct 29	Nov 12	Nov 26

*New-time dealings may take place from 9.00 am two business days earlier.

The market's fragile confidence was shaken at the opening by publication of the latest survey of opinion by the British Chambers of Commerce which reported that UK business was suffering a "severe recession" and an unprecedented fall in home order books.

The news coincided with a visit to the Edinburgh investment community by RTZ, which reportedly supported the Chambers' views. With Tokyo and New York both lower overnight, London opened sharply off and although a brief rally on the back of bear closing operations reduced the market's fall for a time, it gave only temporary relief and left equities on the downtrend.

The market drifted lower again as London sensed an unimpressive opening to the new Wall Street session – the Dow Average was just 4 points up in London hours. At worst, the Footsie was 18.7 down with the 2,100 mark only eight points below. Internationals were unsettled at the close by reports that a small US bank had filed under Chapter 11 of the US bankruptcy laws.

A late and unconvincing rally left the FT-SE at a final reading of 2,110.5, a loss on the day of 16.5 points. Seaq volume increased sharply to 467.5m shares from 376m in the previous session. The most significant increase in business came in Beta stocks and reflected successful placing of the 20.6 per cent stake in NSM, the coal processor, sold by Anglo United.

Most market strategists showed little surprise at yesterday's downturn which they attributed to nothing more than the unwillingness of the institutions to put more cash into directly into the stock market which continues to lack liquidity. There were hints of a rights issue in the offing from a leading company and fund managers were inclined to hold on to their investment cash; they know that it is easier to pick up lines of good quality stock by participating in fund-raising offers than by trying to buy through the Seaq system in the open market. London market makers are still keeping their trading books tight.

FINANCIAL TIMES STOCK INDICES

	Oct 24	Oct 23	Oct 22	Oct 19	Oct 18	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.95	79.87	79.78	79.10	79.43	85.21	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.88	88.86	88.80	88.87	88.57	94.04	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1638.9	1654.7	1633.8	1621.5	1618.1	1751.9	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (28/6/40)
Gold Mines	169.6	169.0	168.4	169.7	168.8	195.8	378.5 (6/2)	163.2 (15/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2110.5	2127.0	2102.0	2089.0	2082.6	2161.9	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.85	5.79	5.87	5.90	5.92	4.72				
Earning Yld %(full)	12.18	12.07	12.22	12.32	12.35	11.36				
P/E Ratio(Net)(☆)	9.95	10.04	9.91	9.83	9.81	10.64				
SEAQ Bargns 4.45pm	18,510	19,004	18,967	20,827	17,459	20,020				
Equity Turnover(£m)†	-	650.80	581.35	795.79	703.34	789.28				
Equity Bargains†	-	18,448	16,241	19,563	18,904	20,536				
Shares Traded (ml)†	-	393.4	319.8	482.4	385.7	338.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.79

Ordinary Share Index, Hourly changes Day's High 1650.8 Day's Low 1634.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1644.0	1650.2	1643.6	1640.7	1642.0	1639.1	1637.1	1636.4	1639.4

FT-SE, Hourly changes Day's High 2123.4 Day's Low 2108.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2114.6	2122.7	2116.2	2114.2	2116.2	2110.3	2108.6	2110.4	2112.6

GILT EDGED ACTIVITY

Indices*	Oct 23	Oct 22
Gilt Edged Bargains	93.8	97.6
5-Day average	98.1	101.9

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	3,000	114	-3
ASDA Group	4,160	126	
Abbey National	1,100	213½	-½
Allied-Lyons	1,500	462½	-4½
Amstrad	1,700	82	
Anglian Water	925	298	+4
Argos	1,800	243	-8
Argyll Group	2,600	244	+2
Ass. Brit. Foods	218	395	-1
BAA	851	379	-3
BAT Inds.	1,700	559	-17
BET	516	209	-8
BICC	280	359	+1
BOC	1,100	482	-19
BPB Inds.	50	180	-2
BTR	2,200	318	-8
Bank of Scotland	983	107	
Barclays	1,800	369	-3
Bass	940	1058	+10
Beazer	1,800	69	-1
Berisford Int.	281	27	-1
Blue Circle	888	219	+1
Boots	3,500	324	-2
Brit. Aerospace	935	582	-1
British Airways	3,700	147	-7
British Gas	2,600	219	+½
British Land	2,200	280	+3
BP	3,200	338½	-1½
British Steel	5,800	120½	-3½
British Telecom	2,000	264	-1
Bunzl	1,300	88	
Burmah Castrol	1,500	475	+3
Burton	7,500	70	-4
Cable & Wire.	3,600	415	-5
Cadburys	578	315	-1
Calor Group	57	223	
Carlton Comms.	420	342	-8
Coats Viyella	1,200	119	-2
Comm. Union	1,000	466	-5

Stock	Volume 000's	Closing Price	Day's change
Cookson	1,900	74	
Courtaulds	612	321	-4
Dalgety	55	359	-1
Dixons	1,800	149	-1
ECC Group	865	332	
Enterprise Oil	620	641	+1
FKI	1,100	48	
Ferranti	1,100	19	
Fisons	1,700	365	-5
Gen. Accident	581	453	-2
General Elect.	831	186	-1
Glaxo	2,200	774	-18
Glynwed Int.	720	206	+2
Granada	1,300	159	+3
Grand Met.	1,900	590	-3
GUS A	78	1073	-2
GRE	2,300	183	-3
GKN	519	320	+5
Guinness	1,700	720	+5
Hammerson "A"	177	556	+5
Hanson	1,600	198	-1
Hanson Warrants	486	38½	
Harrisons Crosfield	329	148	-1
Hawker Sidd.	551	398	+1
Hillsdown	2,400	204	
IMI	381	180	+1
ICI	641	841	-6
Inchcape	1,300	233	-5
Kingfisher	3,500	393	+2
Ladbroke	1,300	279	
Land Securities	1,300	615	-5
Laporte	148	494	-3
Legal & General	1,200	372	-2
Lloyds Abbey	1,000	325	-6
Lloyds Bank	880	272	-7
LASMO	1,300	438½	+6½
Lonrho	1,000	205	-3
Lucas	1,600	121	-5
MB Group	419	182	

Stock	Volume 000's	Closing Price	Day's change
MEPC	591	486	-3
Manpower	144	47	-1
Marks & Spencer	7,700	232	-10
Maxwell Comm.	865	155	-1
Midland Bank	579	199	-6
NatWest Bank	1,800	264	-1
Next	2,000	29	-2½
North West Water	1,300	238	
Northern Foods	190	349	+2
Northumbrian Water	107	247	+5
Pearson	1,500	635	+13
P & O	1,000	509	-10
Pilkington	1,000	154	+1
Prudential	2,900	204	
RHM	258	284	-1
RMC	180	622	+1
RTZ	1,000	424	-9
Racal	6,200	164	+1½
Racal Telecom	109	276	+7
Rank Org.	1,000	622	-15
Reckitt & Colman	180	1228	-18
Redland	319	565	-1
Reed Intl.	316	382	+1
Reuters	4,000	891	-12
Rolls Royce	3,400	178	-3
Rothmans	139	720	-5
Ryl Bk Scotland	365	141	-5
Royal Insurance	863	379	-4
STC	2,600	278	-3
Saatchi	383	38½	
Sainsbury	844	314	-1
Scottish & New.	981	359	+2
Sears	1,700	84	-1
Sedgwick	1,400	204	-1
Severn Trent Water	1,000	207	+2
Shell Transport	1,700	459	
Siebe	4,200	264	+17
Slough Ests	64	244	+1
Smith (W.H.) A	385	376	+1

Stock	Volume 000's	Closing Price	Day's change
Smith & Nephew	894	106	
SmKl Beecham	868	588	-5
SmKl Beecham Units	4	2631	-42
Smiths Inds.	3,700	205	+3
South West Water	289	227	+1
Southern Water	104	208	+1
Standard Chartd.	494	381	-2
Storehouse	2,800	132	-3
Sun Alliance	2,400	311	+4
Sun Life	81	1015	
T&N	823	153	+6
TI Group	1,600	380	+1
TSB	5,600	139	-2
Tarmac	2,100	249	
Tate & Lyle	929	254	
Taylor Woodrow	421	231	-3
Tesco	2,800	233	
Thames Water	1,200	237	+1
Thorn EMI	93	631	+1
Trafalgar House	4,000	190	-13
Trusthouse Forte	1,000	259	-5
Ultramar	1,200	327	+1
Unigate	298	297	+2
Unilever	1,000	868	-4
United Biscuits	381	317	
Utd. Newspapers	587	333	+3
Water Package Uts.	1	2305	+10
Wellcome	537	502	-6
Welsh Water	205	264	+4
Wessex Water	189	224	
Whitbread "A"	428	467	+2
Wiggins Teape	2,200	181	+1
Williams Hldgs.	72	221	+2
Willis Corroon	2,200	218	+1
Wimpey	465	208	-4
Yorkshire Water	412	246	

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Nervous selling of M & S

SPECULATION that Marks and Spencer, the UK high street clothing and food retailer, may warn of weaker sales growth in next week's interim statement depressed the shares. The price was also hit by suggestions that two securities houses had lowered profit forecasts, although this was denied.

Marks itself would make no comment, and many market participants were sceptical of the reports. "Every year we get these rumours and every year they are unfounded," one analyst said.

The shares finished 10 lower at 232p on busy turnover of 7.7m. The interim results are due next Wednesday and analysts' forecasts range from £223m to £235m, compared with £208.7m last time.

Smiths record

Smiths Industries, the UK aerospace to medical group, dazzled the market with record profits of £120m (against £111.7m), although this was partly due to provisions for rationalisation being treated as an extraordinary item. Nevertheless, the second-half performance was stronger than anticipated in spite of product introduction costs in the US. The shares furthered recent gains to close 3 up at 205p on volume of 3.7m.

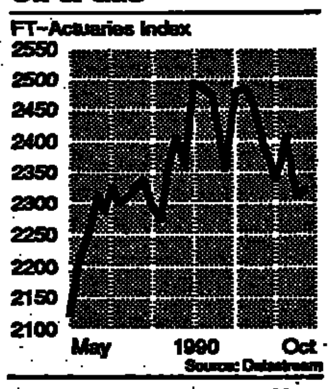
County NatWest analyst Mr Pete Deighton said the group has demonstrated its ability to tailor businesses to prevailing conditions and has ample cash – and strong cash generation – with which to do this. The County team has raised current year profits expectations to £131m from £125m on the back of a stronger civil aerospace performance and continued improvement in the medical division. It believes for longer term investors that Smiths' shares represent excellent value.

Trafalgar attack

Market speculation of problems with the joint venture construction of the Dartford Bridge project over the River Thames, east of London, sent Trafalgar House shares into steep decline. Claims that the foundations of the bridge were too close to the Dartford Tunnel were firmly rejected by a spokesman for Trafalgar House, who said: "I am delighted to say this is not the case."

Actively traded before the early afternoon denial, Trafalgar shares momentarily rallied before turning down again. They closed near the day's lowest at 190p, down 13, after trading volume of 4m shares. A researcher thought yesterday's volatility was a further demonstration of the market's nervousness over whether or not the final dividend will be maintained. But a marketmaker was more forceful, saying: "This smells of yet another bear raid on the stock.

Oil & Gas



Source: Datastream

Since the onset of the Gulf crisis the oil and gas sector has significantly outperformed the rest of the UK stock market. The advance began in July as the dispute between Iraq and Kuwait generated a modest rise in oil prices. That accelerated with Iraq's invasion of Kuwait and energy prices rallied strongly. But the subsequent fall in crude prices sparked a recovery in the rest of the equity market and encouraged profit-taking in oil shares. Since early October the sector has lost some of its premium rating.

The gloomy views of British business disclosed in a detailed UK Chambers of Commerce survey added to the clouds already hanging over the market's international stocks in the wake of Britain's entry to the European exchange rate mechanism at a sterling exchange rate regarded as too high by some analysts.

ICI gave further ground ahead of third-quarter trading results due today. The shares, which have already fallen by about 4 per cent over the previous week, gave up a further 6p to 841p yesterday. Analysts still expect ICI's overall performance in the quarter to be weak, and some profit forecasts range down to around £170m pre-tax, compared with £306m for the comparable period last year. County NatWest believes that the fourth quarter could bring further disappointment as oil prices and adverse currency rates bite, and it forecasts a full year ICI profit of only £1.08bn, or roughly one-third down on the 1989 outcome.

The shift to a sell recommendation by BZW caught up with BOC shares, which fell 19 to 482p, although trading volume was no more than moderate at 1m shares. The stock is considered to have overperformed against the market ahead of the full year results due on November 12.

Among dollar-earning stocks, Glaxo weakened 18 to 774p as worries revived over sales of Zantac, its star product. Also easier was Wellcome, 6 off at 502p.

BAT Industries weakened 17 to 559p, reacting sharply to the news that Sir Mark Weinberg is quitting BAT's Allied Dunbar subsidiary, Britain's largest unit-linked life assurer and largely Sir Mark's own creation.

The banking sector was lower on renewed worries about the health of the US banking system. Lloyds was off 7 at 272p, while Midland eased 6 to 199p and Barclays declined 3 to 369p. Kleinwort Benson fell 6 to 278p after Excell Communications, went into receivership. As its main banker, Kleinwort is thought to have outstanding loans to Excell worth more than £10m.

NSM, the coal mining and processing concern, lost 1¼ to 72½p after news that Anglo United has sold its entire shareholding of 47.9m shares, representing 20.6 per cent of the ordinary share capital. The proceeds of some £32m will be used to remove some of the company's outstanding debt.

Tilbury Group moved up 22 to 495p on favourable comment, as did Countryside Property, finishing 6 better at 81p.

De La Rue, the specialist printer released recently from the hold of Maxwell Communication, was one of few Beta stocks wanted by institutional investors. They found supplies limited at the lower levels and the price advanced to end 9 up at 270p, before the business was satisfied.

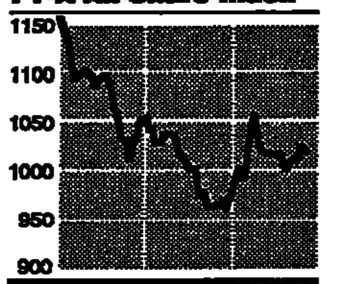
The balancing rises and falls in the Racal twins and Cable and Wireless continued. Racal Electronics hardened 1¼ to 164p on a 6.2m turnover, Racal Telecom picked up 7 to 276p and Cable lost 5 to 415p, reflecting concern over the government's forthcoming duopoly review into Cable's telecommunications sector. The decline of Siebe was stemmed on a turnover that one marketmaker described as the highest he had ever seen in the stock – 4.3m shares were traded and Siebe rallied 17 to 264p.

Brokers Hoare Govett and Smith New Court were both big buyers of the stock. Mr Mike Tampin of Hoare said: "We feel that the shares had been oversold. They have come back a long way."

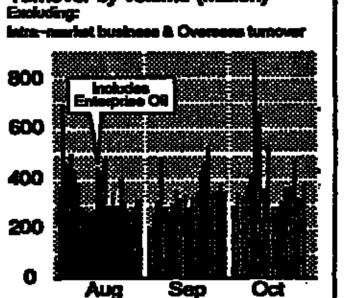
McKechnie, the plastics and metal components group, picked up 11 to 210p despite the announcement on Tuesday of a 28 per cent drop in pre-tax profits. The market was persuaded by comments from the chairman, who said the company had "weathered the worst".

The announcement that Pan Am, the US Airline, is selling its US-UK routes to United Airlines created nervousness over British Airways, which fell 7 to 147p on fears that a marketing agreement that BA has with United could suffer.

FT-A All-Share Index



Equity Shares Traded



Rights issue rumours surrounding P & O were largely discounted, but the stock slipped 10 to 509p in sympathy with the slide in Trafalgar House, its closest competitor. Optimism over the imminent meeting of the French and British halves of the Channel tunnel's service link and the forthcoming finance agreement boosted Eurotunnel by 35 to 480p.

Associated British Ports gained for the third successive day, rising 5 to 228p. Analysts said the long run of selling seemed to have dried up and investors were beginning to hope that the group may soon be able to sell one of its major property developments.

The oil majors were steady to firmer as the price of December brent crude rebounded above $30 per barrel on renewed fears about tension in the Gulf. Lasmo was the strongest performer, gaining 6¼ to 438½p in reaction to its large decline last week. Shell was unchanged at 459p, while BP was off 1¼ at 338½p.

Among the stores, Kingfisher added 2 at 393p after UBS Phillips & Drew reiterated its buy stance. UBS said Kingfisher had the lowest rating of the majors in the stores sector and would be the most sensitive to any further reduction in interest rates.

Citivision, specialists in the distribution of pre-recorded cassette tapes, announced the resignation of its non-executive chairman and a non-executive director following differences regarding the future direction of the company. However, the share price ended a penny higher at 40p, helped by the company stressing that its cash resources and low gearing leave it well placed to increase its market share.

Brent Walker moved up 4 to 78p as the Director General of Fair Trading issued a merger notice in respect of the proposed acquisition by Harestock of Goldcrest from Brent Walker.

Caird, the waste management company, reacted 7 to 47p as Severn Trent Water lapsed its 100p a share cash offer for the company. Severn has appealed over the Takeover Panel's ruling against an immediate lower offer. Mr Peter Linacre intends to step down as chairman of Caird to concentrate on day-to-day management as chief executive.

Erskine House, the office equipment and photocopier group, weakened after it was reported that a subsidiary, Copy Consultants, had gone into receivership. Erskine House said that Copy was not a subsidiary, but Erskine shares failed to recover and closed 10 lower at 31p.

D.Y. Davies tumbled 18 to 60p on news of worsening trading conditions and the likelihood of an interim loss, but Medeva rose 5 to 71p following the sale of a range of Evans Healthcare OTC brands to Boots for £18.5m.

Mr Rupert Murdoch's announcement of a strategy to revive his earnings pushed News International up 5 to 106p and eased some market concern over Pearson, in which he has a stake. Pearson also benefited from a Barclays de Zoete Wedd report, which changed its stance on the stock to buy. Pearson rose 13 to 635p.

Goodhead, the publisher, fell 12 to 46p following a warning by the chairman that difficult trading conditions would continue.

Leading property stocks were pushed firmer in active trading, particularly through one broker. British Land was well sought and the price rose 3 to 280p as 2.2m shares changed hands. Hammerson "A" was helped by a hold recommendation from Hoare Govett and closed 5 firmer at 556p.

One trader suggested that some of the major stocks in the sector may now be viewed as undervalued, given the prospect of lower UK interest rates over the next 12 months.

The poor asset revelations from British Assets and First Charlotte Assets Trust weighed on Ivory & Sime, which fell 7 to 58p.

Waters were one of the more resilient sectors, with gains of 4 to 238p in Anglian and £10 to £2,305 in The Water Package.

■ Other Market statistics, including the FT-Actuaries share index, Page 28

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (5).
BRITISH FUNDS (2) Fd. 5¾pc 1987-91, Treas. 10pc Cv. 1991, ENGINEERING (1) TACE, FOODS (1) Farepak, TRUSTS (1) Baltica Hldgs.
NEW LOWS (62).
AMERICANS (1) Dun & Bradstreet, BANKS (3) Chancery, Guinness Mahon, Wintrust, BUILDINGS (2) Expamet Hldgs. Wescol Grp., CHEMICALS (4) Amersham Intl., Caird Grp., Do. 7p Cnv. Rd. Pf., Yule Catto, STORES (1) Honeysuckle Grp., ELECTRICALS (2) P & P, Sanderson Elect., ENGINEERING (4) Concentric, Meggitt, Simon Eng., Tallos, INDUSTRIALS (14) Avon Rubber, Crest, Davis (D.Y.), Erskine Hse, Do. 7¼pc Pf., Eurocopy, Green (E.) & Part., Hawthorn Leslie, ISA Intl., Johnston Grp., MY Hldgs., McLeod Russel, Siebe, Williams (J.), LEISURE (3) Castle Comms., Fairline Boats, Prop. of London, MOTORS (1) Plaxton Grp., NEWSPAPERS (2) Bristol Eve. Post, Summer Intl., PAPERS (2) Acsis Grp., Goodhead Grp., PROPERTY (2) Cap. & Counties 5¼pc Pf., Southend Prop. Warrants, TEXTILES (3) Foster (J.), Lister, Parkland "A", TRUSTS (8) Brit. Inv., Burns-Anderson, Cons. Venture Tst., Ensign Tst., Do. "B", Independent Inv., Precious Metals Tst., Selective Assets Tst., York Tst., OILS (1) Crusader, MINES (7) Bond Intl., Butte Mining, Grootvlei, Jutia Mines, Pelsart Res., S. African, Southvaal, THIRD MARKET (1) Leading Leisure.

APPOINTMENTS

Mobil Oil chairman

■ Mr Brian M. Davis has been appointed chairman and chief executive officer of MOBIL OIL COMPANY, which is responsible for Mobil's marketing and refining interests in the UK. He was general manager and president of Mobil Oil Italiana, and succeeds Mr Roger O'Neil who becomes vice president administration of the newly-established Mobil Europe center of operations in London.

■ Mr Nick Price, director and senior estates manager of Norwich Union Real Estate Managers, has been appointed a non-executive director of INVESTMENT PROPERTY DATABANK. He is also a director of Norwich Union Fund Managers.

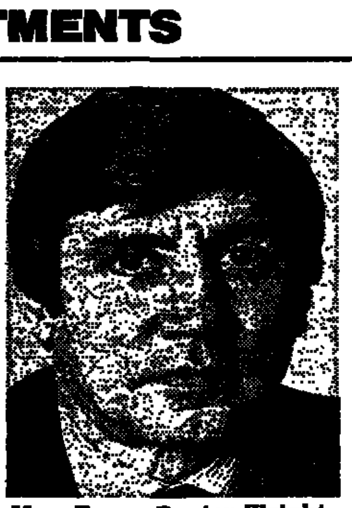
■ GRANADA GROUP has appointed Mr Alan Clements as a non-executive director. He is finance director of ICI, territorial director for Africa, and responsible for overseeing the acquisitions team. Mr Clements is due to retire from ICI later this year.

■ Mr Roger Luscombe is to become a managing director of DILLON, READ from October 29. He was an executive director and head of UK corporate finance and coverage for Morgan Stanley International in London.

■ DAWSON INTERNATIONAL, Edinburgh, has appointed Mr Ronald A.B. Miller as executive chairman. Mr Keith Fox becomes chief executive UK. Mr Philip Kemp, president US, additionally becomes chief executive officer of the US operations. Mr R. Derek Finlay has been appointed a non-executive director. He is chief financial officer of H.J. Heinz Co, based in Pittsburg, Pennsylvania.

■ ADWEST GROUP has appointed Mr Rory Shearer as group financial controller.

Mr Nic Paravicini *(pictured)* has joined MACINTYRE INVESTMENTS as chief executive. He was chairman and chief executive of Bank Sarasin's UK subsidiary.



Mr Tom Baxter-Wright *(pictured)* has been appointed deputy chairman of ASD. He was chief executive of GKN Steelstock. Mr Robert Monnot, directeur a la direction generale of Usinor Sacilor, joins as a non-executive director on December 10 following the acquisition by Usinor Sacilor of a 20% holding in ASD.

■ Mr Michael McKay has been appointed managing director of STEETLEY QUARRY PRODUCTS from November 12. He was a director of the Bardon Group.

■ Mr Tony Every-Brown has been appointed group property adviser to BLUE CIRCLE INDUSTRIES. He is succeeded as landbank director in the Blue Circle property division by Mr Richard Spray who joins the group from ARC Properties, where he was divisional director, land development division.

■ SCANBANK COMPUTER SERVICES, a wholly-owned subsidiary of Skandinaviska Enskilda Banken, has appointed Mr Alan Summers as managing director. He was director of sales and marketing.

Senior posts at FR Group

■ Mr Gordon F. Page has been appointed deputy chief executive of FR GROUP from November 1. He assumes responsibility for the group's manufacturing companies in the UK and for Markhorst in Holland. He is succeeded as managing director of Flight Refuelling by Mr Robin H.L. Clark who is director and general manager, military systems division.

■ ALPINE GROUP, Birmingham, has appointed Mr David Hull as company secretary following the resignation of Mr Ed Creegan. Mr Hull is a corporate finance partner at Edge & Ellison, solicitors.

■ LAURENCE KEEN, stockbrokers, has made Mr Richard Lewis a director.

■ ERA GROUP, (retailing subsidiaries include Beatties, Techno and Fox Talbot), has appointed Mr John Gutteridge as finance director. He was finance director of Camelford.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked

BRITISH FUNDS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Yield (1)	Yield (2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or –	Div. %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21⅞	5⅝	Chase Manhattan $12½	[illegible]	[illegible]	$1.20	–	19.9
19¼	634p	Chem. Banking Corpn.	649p	-5	$1.00	–	7.8
12½	5¼	Chrysler $6¼	[illegible]	[illegible]	$1.20	–	10.1
18⅛	6⅞	Citicorp $1	[illegible]	[illegible]	$1.78	–	13.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£13½	£9	ABN Amro F15	£9¾	.....	Q28%	2.1	9.0	5.2
303	161	ANZ SA1	168	−2	44c	1.4	10.8	6.5
233	172	Abbey National 10p	213½	−½	5.7	4.3	3.6	8.7
*274	128	Allied Irish Ord	159	−1	Q40%	3.3	5.6	7.2
85	47	Anglo Irish	53	.....	Q10.7%	2.7	7.9	7.6
93	61	Ansbacher (H.) 1p	66	.....	2.5	1.3	5.1	19.0
£71½	£32½	Bancaire Cie Fr100	£44½	−¼	Q12½%	−	2.9	−
£22½	£13¾	Banco Bilbao Viz	£15¼	.....	Q49.1%	2.7	5.1	10.8
286	136	Bank Ireland Ir£1	154	−2	Q14.7%	2.9	8.5	5.4
£19½	£18	Bank Leumi	£19½	.....	−	−	−	−
351	320	Bank Leumi (U.K.)	350	.....	†15.0	−	5.7	−
129½	100	Bank Scotland	107	.....	†4.55	3.4	5.7	6.8
100¼	83¾	Do. 9¼pc Ird Pf	93½xd	.....	9¼%	−	13.2	−
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	369	−3	†h19.57	3.5	7.1	5.1
22	11	Benchmark 20p	11	.....	0.75	−	9.1	−
335	238	Brown Shipley £1	240	.....	12.0	2.2	6.7	7.8
*435	285	Cater Allen £1	339	.....	N24.5	−	9.8	−
179	39	Chancery	39	−5	9.0	2.7	−	1.6
£23¾	£15¼	Commerzbk DM10	£15¼	+¼	Q18%	−	3.9	−
£13¼	620	Dai Ichi KBk Y50	750	.....	Q17%	6.2	0.5	35.4
*£31½	£19¼	Deutsche Bk DM50	£21⅝	−⅛	Q28%	−	2.2	−
£20½	£14¼	Espirito Santo	£15¼	.....	Q75c	5.1	2.5	7.8
253	166	First Nat. Fin. 10p	170	−3	13.0	2.1	10.2	5.8
121	82	FNFC 6.3pc Cv. Pf	86	−2	6.3%	−	9.8	−
£13½	633	Fuji Bank Y50	890	.....	Q17%	♦	0.4	♦
325	262	Gerrard & National	276xd	.....	19.0	−	9.2	−
154	91	Guinness Mahon 10p	91	−2	2.1	−	3.1	−
328	194	Hambros 20p	214	−1	11.5	−	7.2	−
128	88	Do. 7.5pc Cv Pf	94	−1	7½%	−	10.6	−

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

هكذا من الأصل

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MOTORS, AIRCRAFT TRADES — Contd

Components

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	459	.....	3.5	10.8	1.0	12.0
225	145	Airflow Streamlines ...y	145	.....	6.0	3.9	5.5	6.2
190	145	Bostrom 5p	160	.....	†5.75	3.1	4.8	7.3
266	163	Dowty 50p	165	.....	9.0	2.1	7.3	8.0
239	119	FR Group	121	−1	6.37	3.1	7.2	6.1
135	55	Kwik-Fit Hldgs. 10p	75	+2	†2.4	2.3	4.4	13.5
174	102	Lucas Inds.	123	−5	7.0	q2.6	8.0	5.4
44	14	Do. Warrants	17½	.....	–	–	–	–
80	60	Mid-States 10p ...y	63	+2	s20.75	–	1.6	51.9

Garages and Distributors

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
28	16	Alexanders 10p ...y	16	−1	1.0	3.0	8.3	4.8
135	78	Appleyard 10p	95	.....	†7.8	2.4	10.9	4.4
110	56	Blackley Motor 20p ...y	60	.....	†7.5	1.9	16.7	4.3
568	423	Caffyns 50p	425	.....	11.5	0.3	3.6	–
121	98	Central Motor Auctns. ...y	106	.....	†3.25	3.2	4.1	10.1
61	28	Cook (D.C.) Hldgs. ...y	30	.....	1.0	5.3	4.4	5.7
89	33	Dowie (T.) 5p	48	−1	4.2	1.5	11.7	6.7
95	56	Dagenham Motors 10p ...y	75	.....	†5.25	2.8	9.3	5.2
98	75	Davenport Vernon 10p ...y	78	.....	3.5	3.4	6.0	5.4
29	16	Equity & Gen 5p	20	.....	†1.5	1.7	10.0	(7.1)
247	163	Evans Halshaw	181	+1	11.25	2.4	8.3	6.6
113	85	Gates (F.G.)	90	.....	2.75	1.9	4.1	16.9

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS — Contd

For KCA Drilling see Blystad Group

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES — Contd

Tins

Miscellaneous

THIRD MARKET

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
36	17	Sleepy Kids 5p ...y	17	.....	–	–	–	–
3½	1½	Systems Connections ...y	2	.....	–	–	–	–
94	48	Tomorrows Leisure 20p ...y	48	.....	1.0	♦	2.8	♦
55	27	UPL Group 10p ...y	32	.....	–	–	–	–
89	16	Video Magic Leis. 1p ...y	18	.....	–	–	–	–
6¼	2¼	Vista Ents 5p ...y	2½	.....	–	–	–	–
5½	1¼	Wilton Group 1p ...y	1¼	.....	–	–	–	5.9

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Craig & Rose £1 ...y	700	.....
Finlay Pkg. 5p ...y	40	+2
Holt (Jos) 25p ...y	1305	.....

IRISH

Stock	Price	+ or −
Cap. 8½% Ln. 1991	£98¼	+¼
9pc Cap Ln. 1996	£93¼	.....
Fin. 13% 97/02	£110¼	.....
Arnotts	180	.....
Carrol (P.J.)	152	.....
Hall (R. & H.)	165	.....
Helton Hldgs. ...y	55	+3
IRG	153¼	.....
United Drug	190	−10

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit. Aerospace	45
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5½
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met.	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd.	39
ICI	70
Ladbroke	22
Legal & Gen.	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds.	11
Marks & Spencer	18
Midland Bk.	20
Nat West Bk.	18
P & O Dfd.	42
Polly Peck	40
Racal Elect.	14
RHM	29
Rank Org Ord.	49
Reed Intnl.	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	18
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property

Stock	p
Brit. Land	24
Control Secs.	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Stock	p
Ariva Petlm.	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm.	20
Gaelic Res.	2
Premier	8½
Shell	40
Tuskar Res.	6
Ultramar	31

Mines

Stock	p
Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

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Target Trust Mngrs Ltd (1600)F

Templeton Unit Trust Managers Ltd (1200)F

Thornhill Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1000)F

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

INSURANCES

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	305.4	321.5	−0.4	−
UK Equity	384.8	405.1	−1.4	−
Overseas Eq.	293.7	309.2	+1.4	−
American	210.0	221.1	−0.2	−
Far East	314.3	331.4	−3.0	−
Property	191.0	201.1	−0.1	−
Fixed Int.	231.1	243.3	−0.1	−
Indexed Gilt	143.5	151.1	....	−
Deposit	171.2	180.3	....	−
Pension Fund (Accum Units)				
Managed	422.2	444.5	−0.8	−
UK Equity	489.4	515.2	−2.0	−
Overseas Eq.	482.9	508.4	+0.5	−
American	278.7	293.4	....	−
Far East	525.2	552.9	−3.2	−
Property	237.1	249.6	....	−
Fixed Int.	280.5	295.3	−0.3	−
Indexed Gilt	157.7	166.0	....	−
Deposit	235.2	247.6	+0.1	−
NPI Pensions Management Ltd				
Managed Fund	908.9	925.1	....	−

Prices Oct 1 Next dealing Nov 1

Norwich Union Asset Management Ltd

PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	61.6	64.8	−0.1	−
Stock Market Mngd Fund	58.1	61.2	−0.1	−
Equity Fund	66.1	69.6	−0.2	−
International Fund	51.1	53.8	+0.1	−
European Fund	62.5	65.8	+0.6	−
North American Fund	47.7	50.3	....	−
Pacific Fund	53.3	56.1	−0.1	−
Property Fund	87.5	92.2	+0.1	−
Fixed Interest Fund	52.5	55.2	....	−
Index linked Sec Fund	58.2	61.3	....	−
Deposit Fund	65.7	69.2	....	−
NUAM Retirement Plans				
Mixed Fund	66.5	70.0	−0.1	−
UK Ordinary Share Fd	75.7	79.7	−0.2	−
International Fund	55.5	58.4	....	−
Property Fund	84.5	88.9	....	−
Fixed Interest Fund	62.6	65.9	....	−
Index Linked Sec Fund	61.6	64.8	....	−
Deposit Fund	76.2	80.2	....	−
NUAM (MF)				
Managed Fund	871.3	917.2	−1.3	−
Equity Fund	1819.5	1915.3	−6.6	−
International Fund	135.0	142.2	+0.4	−
Property Fund	554.0	583.2	+0.1	−
Fixed Interest Fund	393.3	414.0	....	−

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Total Investment Bond				
UK Equity Initial		131.2	−1.2	−
UK Fixed Int Initial		107.4	+0.4	−
Intl Equities Initial		105.5	....	−
UK Managed Initial		106.2	−0.2	−
Property Initial		165.9	+1.6	−
Money Initial		83.9	....	−
Special Market Initial		97.4	+0.1	−
Japan Equity Initial		77.6	−1.8	−
North American Initial		62.3	−0.6	−
Pacific Initial		62.0	+0.1	−
Technology Initial		83.8	+0.1	−
Nat Resources Initial		43.5	−0.8	−
European Initial		85.2	+1.7	−
Residential Prop Init.		93.9	....	−
Swiss Equities Initial		91.2	+0.3	−
Hong Kong Initial		44.6	−0.5	−
UK High Inc Eq Init.		58.9	−0.3	−
Int Fixed Interest Init.		49.4	+0.2	−
Int Managed Init.		50.2	+0.2	−
HIP Managed Init.		96.4	+0.1	−
HIP Managed II Initial		86.0	....	−
Broker Funds				
High Performance	62.1	65.5	+0.6	−
Towerhill Mngd Fd Acc.	36.2	38.1	+0.8	−
YRA Executive Fd	84.5	89.1	−0.6	−
£ Global Growth Acc.	113.6	119.8	....	−
£ High Income Money Acc.	132.1	139.3	+0.1	−
JM Balanced		47.3	+0.2	−
H F Speculator Fd		115.9	+0.5	−
PEP Acorn II		103.3	−0.1	−
PEP Cautionary		66.9	....	−
AAFS Int Man Fund		109.4	+0.5	−
Andrews-Green Inv Port		78.8	+0.7	−
Individual Pension Funds				
UK Equity Acc.	207.0	218.4	−2.0	−
UK Fixed Interest Acc.	194.6	205.3	+0.7	−
Intl Equities Acc.	198.4	209.3	....	−
UK Managed Acc.	167.1	176.2	−0.1	−
Property Acc.	211.4	223.1	+2.9	−
Money Acc.	149.3	157.5	....	−
Special Market Acc.	195.9	206.7	+0.1	−
Japan Equity Acc.	157.4	166.1	−3.7	−
North American Acc.	98.13	103.5	−1.9	−
Pacific Acc.	148.3	156.5	+0.1	−
Technology Acc.	135.5	143.0	+0.2	−
Natural Resources Acc.	85.11	89.8	−1.6	−
European Acc.	109.1	115.1	+2.8	−
Residential Prop Acc.	103.4	109.1	−0.1	−
Swiss Equities Acc.	32.6	34.4	+0.5	−
Hong Kong Acc.	46.9	49.5	−0.6	−
UK High Inc Eqs Acc.	66.0	69.7	−0.4	−

Sun Alliance International Life

PO Box 77, New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	+ or −	Yield Gross
North American Equity $	$7.55	8.13	....	−
Pacific Equity $	$7.28	7.84	....	−
Intl Currency $	$4.24	4.57	....	−
Intl Bond Fund $	$6.81	7.34	....	−
Gilt Fund £	£3.93	4.24	....	−
US Dollar Mngd Fd $	$1.55	1.67	....	−
Stg Managed Fd £	£0.99	1.06	....	−

Target International Group

1 rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751

	Bid Price	Offer Price	+ or −	Yield Gross
Sterling Pens Plan	£0.70	0.76	....	−
US Dollar Pens Plan	$0.69	0.75	....	−
Yen Pens Plan	Y226	242	....	−
Ecu Pens Plan	Ecu0.62	0.68	....	−

J. D. Ward Financial Services Ltd

9 Kingsway, London, WC2 B6XF. 071-836 4321

	Bid Price	Offer Price	+ or −	Yield Gross
Target Mngd Bond	185.9	195.7	+0.7	−
Target Mngd Pension	113.0	119.0	+0.1	−
Albany Life Acc.	167.1	175.9	+0.1	−
Albany Pens Acc.	207.1	218.0	....	−

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SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar near lower end of range

THE DOLLAR closed towards the lower end of its range in Europe, but showed an improvement on the day *against the Japanese yen.* Sterling traded steadily, holding around its central rate against the D-Mark within the European Monetary System.

The market paid little attention to a larger than expected fall of 1.7 per cent in September US durable goods orders. This encouraged hopes that the dollar may have found a near term base and that there could be room for a technical recovery *if it can successfully attack* strong resistance points at Y129.20 and DM1.5240.

Attention tended to focus on the Gulf crisis and Congressional efforts to reduce the US budget deficit, amid speculation that interest rates are unlikely to change until these problems *have* been resolved.

Speaking on US television, Mr Richard Lugar, a member of the Senate foreign relations committee, said Iraqi forces in Kuwait are digging in with no apparent intention of leaving, and "the fact is that we are headed towards conflict".

At the London close the dollar had improved to Y128.00 from Y127.45, but had fallen to DM1.5070 from DM1.5175; to FFr5.0425 from FFr5.0800; and to SFr1.2680 from SFr1.2815.

The US currency's index eased to 60.5 from 60.6.

Sterling improved with other European currencies against *the dollar* and also gained ground against the yen. There were no new factors, the pound shrugging off a survey from the British Chambers of Commerce suggesting that the UK has entered a recession.

The pound climbed 1.20 cents to $1.9580 and rose to Y250.50 from Y248.00. On the other hand, it eased to its central rate in the EMS exchange rate mechanism of DM2.9500 from *DM2.9525. Sterling* also fell to FFr9.8725 from FFr9.8850 and to SFr2.4825 from SFr2.4950. Its index ended 0.1 higher at 94.6.

In New York the pound finished higher at $1.9598.

Within the ERM, sterling was 0.17 per cent above its central rate against the lowest *placed* Italian lira, according to figures from the European Commission. The Spanish peseta remained the strongest member of the system, and was 3.81 per cent above the lira.

The D-Mark fell to the bottom of its recent range against the French franc, to be fixed in Paris at FFr3.3471 compared with FFr3.3474 on Tuesday. This was in spite of Tuesday's news of a higher than expected French trade deficit in September. The only time the German *currency has been fixed lower* in the last three years was at DM3.3470 on September 28. Dealers said they believed the Bank of France has intervened recently to support the D-Mark against the franc. In London the D-Mark closed at FFr3.3460, against a previous FFr3.3475.

The lira held steady against the D-Mark. The German unit was fixed at L748.72 in Milan against L748.99 on Tuesday. There was no obvious intervention by the Bank of Italy.

£ IN NEW YORK

Oct.24	Latest	Previous Close
£ Spot	1.9550-1.9560	1.9425-1.9465
1 month	0.96-0.94pm	1.02-1.00pm
3 months	2.73-2.71pm	2.68-2.64pm
12 months	8.55-8.45pm	8.55-8.40pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.24	Previous
8.30 am	94.4	94.5
9.00 am	94.4	94.6
10.00 am	94.4	94.6
11.00 am	94.5	94.5
Noon	94.5	94.6
1.00 pm	94.5	94.5
2.00 pm	94.5	94.6
3.00 pm	94.5	94.4
4.00 pm	94.6	94.5

CURRENCY MOVEMENTS

Oct. 24	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.6	-18.4
U.S Dollar	60.5	-17.8
Canadian Dollar	100.7	-1.1
Austrian Schilling	109.7	+11.1
Belgian Franc	111.6	-2.1
Danish Krone	110.9	+5.2
Deutsche Mark	119.2	+25.0
Swiss Franc	115.2	+23.7
Guilder	114.8	+16.3
French Franc	105.8	-11.1
Lira	99.6	-19.5
Yen	136.8	+73.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.23.

CURRENCY RATES

Oct. 24	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.737066	0.697798
U.S Dollar	7	1.43433	1.35896
Canadian $	12.82	1.67931	1.59026
Austrian Sch	6½	15.3502	14.4988
Belgian Franc	10¼	44.7583	42.4098
Danish Krone	10½	8.32485	7.86227

† European Commission Calculation. * All SDR rates are for Oct.23

OTHER CURRENCIES

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct 24	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	133.631	129.101	-3.39	3.81	60
Belgian Franc	42.4032	42.4098	0.02	0.28	3
French Franc	6.89509	6.89809	0.04	0.25	2
Sterling	0.696904	0.697798	0.13	0.17	-2
Irish Punt	0.767417	0.768556	0.15	0.15	-3
German D-Mark	2.05586	2.06086	0.24	0.05	-10
Dutch Guilder	2.31643	2.32219	0.25	0.05	-8
Danish Krone	7.84195	7.86227	0.26	0.03	-8
Italian Lira	1538.24	1542.76	0.29	0.00	-11

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.95-4.90cpm. 12 Month 8.53-8.43cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Denmark	5.76 - 5.80	5.76 - 5.76½	0.78-1.08oredis	-1.94	2.65-3.25dis	-2.05
Germany	1.5060 - 1.5205	1.5065 - 1.5075	0.01-0.04pfdis	-0.20	0.16-0.19dis	-0.46
Portugal	132.80 - 133.90	132.80 - 132.90	50-65cdis	-5.19	220-240dis	-6.93
Spain	94.35 - 95.25	94.45 - 94.55	48-52cdis	-6.35	144-151dis	-6.24
Italy	1128 - 1139	1128 - 1128½	2.60-3.10liredis	-3.03	8.00-9.00dis	-3.01
Norway	5.85¾ - 5.91	5.85¾ - 5.86¼	1.10-1.45oredis	-2.61	3.95-4.45dis	-2.87
France	5.04 - 5.09	5.04 - 5.04½	0.75-0.84cdis	-1.89	2.29-2.46dis	-1.88
Sweden	5.58½ - 5.63¾	5.59 - 5.59½	3.80-4.20oredis	-8.58	9.95-10.65dis	-7.37
Japan	127.75 - 129.15	127.95 - 128.05	0.03dis-0.01ypm	-0.09	0.04-0.01pm	0.08
Austria	10.60½ - 10.69½	10.60¾ - 10.61¼	0.30-0.65grodis	-0.54	1.60-2.60dis	-0.79
Switzerland	1.2675 - 1.2805	1.2675 - 1.2685	0.01dis-0.03cpm	0.09	0.02dis-0.05pm	0.05
ECU	1.3610 - 1.3725	1.3710 - 1.3720	0.21-0.19cpm	1.75	0.64-0.60pm	1.81

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 24	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14 - 13⅞	14 - 13⅞	14 - 13⅞	13⅞ - 13¾	13⅝ - 13½	13⅛ - 13
US Dollar	7⅞ - 7¾	8⅛ - 7⅞	8⅛ - 8	8¼ - 8⅛	8¼ - 8⅛	8¼ - 8⅛
Can. Dollar	12½ - 12¼	12½ - 12¼	12½ - 12¼	12½ - 12¼	12⅛ - 12	12 - 11¾
D. Guilder	7⅞ - 7¾	7⅞ - 7¾	8⅛ - 8	8¼ - 8⅛	8½ - 8⅜	8¾ - 8⅝
Sw. Franc	8½ - 8¼	8¼ - 8	8⅛ - 7⅞	8¼ - 8⅛	8⅜ - 8¼	8½ - 8⅜
Deutschmark	8¼ - 8	8¼ - 8⅛	8⅜ - 8¼	8⅝ - 8½	8¾ - 8⅝	9 - 8⅞
Fr. Franc	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	10⅛ - 10	10⅜ - 10¼
Italian Lira	13 - 11	11¼ - 10¾	11 - 10¾	11¼ - 10¾	11¼ - 11	11¾ - 11½
Belgian Franc	9¼ - 8⅞	9 - 8¾	9 - 8¾	9 - 8¾	9⅛ - 8⅞	9⅜ - 9⅛
Yen	7⅞ - 7¾	7⅞ - 7¾	8 - 7⅞	8¼ - 8⅛	8⅜ - 8¼	8½ - 8⅜
D.Krone	10⅝ - 10⅜	10⅝ - 10⅜	10⅝ - 10⅜	10¾ - 10½	10⅞ - 10⅝	10⅞ - 10⅝
Asian $Sing	8 - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞	8¼ - 8	8½ - 8¼	8½ - 8¼

Long term Eurodollars: two years 8¼-8⅛ per cent; three years 8½-8⅜ per cent; four years 8⅝-8½ per cent; five years 9-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct 24	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS · LIFFE US TREASURY BOND FUTURES OPTIONS · LIFFE BUND FUTURES OPTIONS · LIFFE EUROMARK OPTIONS · LIFFE EURODOLLAR OPTIONS · LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE) · CHICAGO

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change	High	Low	Yield	Open int.
December	90.04	90.08	+0.01	90.08	90.02	9.92	17,456
March	90.03	90.06	-	90.07	90.03	9.93	6,894
June	90.03	90.00	-0.02	90.03	90.00	9.98	1,334
September	89.98	89.98	-0.01	89.98	89.98	10.01	330

Estimated volume 4,479 Total Open Interest 26,014

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int.
October	1680.0	1666.0	-23.0	1683.0	1656.0	8,388
November	1688.0	1678.0	-17.5	1689.5	1663.0	3,149
December	1690.0	1690.0	-8.5	1690.0	1690.0	440
March	-	-	-	-	-	0

Estimated volume - Total Open Interest 11,977

BASE LENDING RATES

	%
ABN Bank	14
Adam & Company	14
Allied Trust Bank	14
AIB Bank	14
● Henry Ansbacher	14
Associates Cap Corp	15½
● B & C Merchant Bank	14
Bank of Baroda	14
Banco Bilbao Vizcaya	14
Bank Credit & Comm	14
Bank of Cyprus	14
Bank of Ireland	14
Bank of India	14
Bank of Scotland	14
Banque Belge Ltd	14
Barclays Bank	14
Benchmark Bank	15
Brit Bk of Mid East	14
● Brown Shipley	14
CL Bank Nederland	14
● Charterhouse Bank	14
Citibank NA	14
City Merchants Bank	14
Clydesdale Bank	14
Comm.Bk.of London Plc	14
Co-operative Bank	*14
Coutts & Co	14
Cyprus Popular Bk	14
Dunbar Bank PLC	14
Duncan Lawrie	14
Equatorial Bank plc	14
Exeter Trust Ltd	14½
Financial & Gen. Bank	14
First National Bank Plc.	16½
● Robert Fleming & Co.	14
Robert Fraser & Ptnrs.	14½
Girobank	14
● Guinness Mahon	14
HFC Bank plc	14
● Hambros Bank	14
Hampshire Trust Plc	15½
Heritable & Gen Inv Bnk.	14
● Hill Samuel	14
C. Hoare & Co.	14
Hongkong & Shangh	14
● Leopold Joseph & Sons	14
Lloyds Bank	14
Meghraj Bank Ltd	14
McDonnell Douglas Bnk.	14
Midland Bank	14
Mount Banking	14
Nat Bk. of Kuwait	15
NatWestminster	14
Northern Bank Ltd	14
Nykredit Mortgage Bank	14½
Provincial Bank PLC	15
Roxburghe Bank Ltd.	15½
Royal Bk of Scotland	14
Royal Trust Bank	14
● Smith & Williamson Secs.	14
Standard Chartered	14
TSB	14
Unibank plc	14
● United Bk of Kuwait	14
United Mizrahi Bank	14
Unity Trust Bank Plc	14
Western Trust	14
Westpac Bank Corp.	14
Whiteaway Laidlaw	14
Yorkshire Bank	14

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MONEY MARKETS

Rates little changed

INTEREST RATES were little changed in London yesterday, while short sterling futures remained locked in a narrow range on Liffe. A steadier performance by sterling this week has improved sentiment, but another cut in bank base rates is not expected in the near term amid some concerns that the rate cut earlier this month may have been premature.

Three-month sterling interbank was quoted at 13 13/16-13 11/16 per cent against 13⅞-13¾ and 12-month money was 13⅛-13 1/16 per cent compared with 13⅛-13.

UK clearing bank base lending rate
14 per cent
from October 8, 1990

December short sterling futures opened weaker at 86.55 and traded between 86.55 and 86.62 before closing unchanged at 86.58.

The supply of day-to-day credit remained tight on the cash market. A shortage of £1,150m was initially forecast by the Bank of England, but this was revised to £1,300m at noon and to £1,350m in the afternoon.

Total *assistance of* £1,291m was provided. An early round of help was offered and at that time the authorities bought £168m *bank bills* in *band* 2 at 13¾ per cent. Before lunch £46m bills were purchased, by way of £2m Treasury bills in band 2 at 13¾ per cent and £44m bank bills in band 2 at 13¾ per cent. In the afternoon another £882m bills were bought, via £48m Treasury bills in band 1 at 13¾ per cent; £222m bank *bills* in band 1 at 13¾ per cent; £2m Treasury bills in band 2 at 13¾ per cent; and £610m bank bills in band 2 at 13¾ per cent. Late assistance of around £200m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,152m with a rise in the note circulation absorbing £95m and *bank balances below target* £190m. These outweighed exchequer transactions adding £285m to liquidity.

In Frankfurt call money was unchanged at 8.05 per cent, remaining above the 8 per cent Lombard emergency financing rate, in spite of a net injection of liquidity by the Bundesbank. At a tender for 29-day securities repurchase funds, DM13.1bn was allotted at rates of 8.00-8.15 per cent. This replaced an expiring agreement of DM11bn.

In Paris the Bank of France *left its intervention rate at* 9.50 per cent when injecting emergency funds into the money market. This followed a *shortage* resulting from a strike by cash security guards in Paris.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.24)	3 months US dollars		6 months US Dollars	
	bid 8⅛	offer 8¼	bid 8⅛	offer 8¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	10	One month	7.51	Three year	7.97
Broker loan rate	9¼	Two month	7.56	Four year	8.14
Fed.funds	7⅞	Three month	7.54	Five year	8.24
Fed.funds at intervention	-	Six month	7.60	Seven year	8.50
		One year	7.51	10-year	8.65
		Two year	7.82	30-year	8.78

Oct.24	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.00-8.10	8.15-8.30	8.20-8.35	8.45-8.60	8.55-8.70	8.00
Paris	9¾-9⅞	9 13/16-9 15/16	9¾-9⅞	9 13/16-9 15/16	10-10⅛	9.50
Zurich	6¾-7¼	7¾-8	-	8-8¼	-	-
Amsterdam	7.62-7.75	8.05-8.15	-	8.40-8.47	-	-
Tokyo	7¾-7⅞	7⅝-7¾	-	8⅛-8¼	-	-
Milan	9⅞-10¼	11¼-11½	-	11¼-11¾	-	-
Brussels	9.25	8 11/16-8 13/16	-	8⅞-8 15/16	-	-
Dublin	9¾-9⅞	9¾-10	10⅛-10⅜	10¼-10½	10⅜-10⅝	-

LONDON MONEY RATES

Oct 24	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅛	14	14	13⅞	13⅝	13⅛
Interbank Bid	13⅞	13⅞	13⅞	13¾	13½	13
Sterling CDs	-	-	13 15/16	13 13/16	13½	13
Local Authority Deps.	14	13 15/16	13 15/16	13 13/16	13⅝	13
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	13⅞	13 15/16	13¾	-	-
Company Deposits	-	-	14⅛	13 15/16	13⅝	13⅛
Finance House Deposits	-	-	13 15/16	13¾	13⅝	13⅛
Treasury Bills (Buy)	-	-	13 13/16	13 11/16	-	-
Bank Bills (Buy)	-	-	13 13/16	13⅝	12 15/16	-
Fine Trade Bills (Buy)	-	-	14⅛	14	13 13/16	-
Dollar CDs.	-	-	8.07	8.10	8.10	8.15
SDR Linked Dep. Offer	-	-	9⅛	9¼	9⅜	9⅜
SDR Linked Dep. Bid	-	-	9	9⅛	9¼	9⅝
ECU Linked Dep. Offer	-	-	9 11/16	9⅞	10⅛	10¼
ECU Linked Dep. Bid	-	-	9⅝	9¾	9 15/16	10⅛

Treasury Bills (sell): one-month 13⅝ per cent; three months 13 11/16 per cent; six months 13 per cent; Bank Bills (sell): one-month 13 13/16 per cent; three months 13 11/16 per cent; Treasury Bills; Average tender rate of discount 13.1897 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 8, 1990. Agreed rates for period Oct 24,1990 to Nov 25, 1990, Scheme I: 15.78 p.c., Schemes II & III: 16.21 p.c. Reference rate for period Sept 1,1990 to Sept 28, 1990, Scheme IV&V: 14.955 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from October 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over *held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent;* six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 11½ per cent from Oct 9,1989, Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

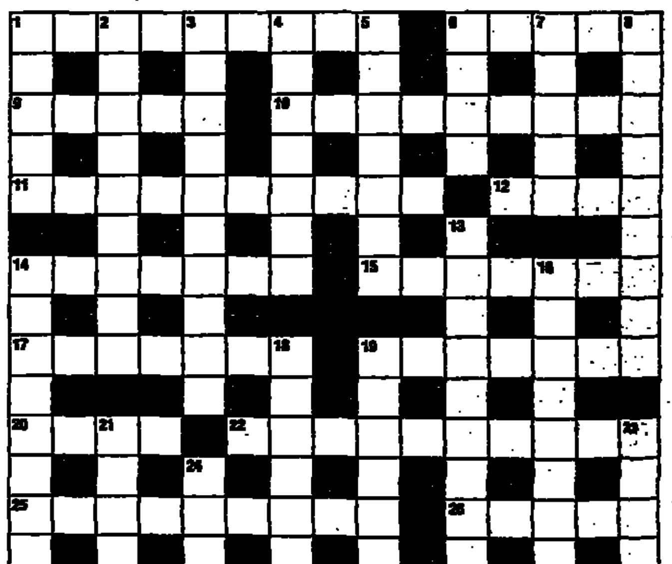
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,376 Set by HIGHLANDER



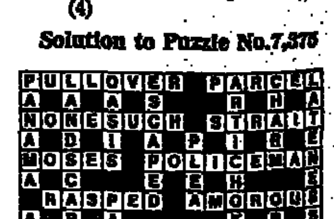
ACROSS

1 Cook loses race to provide food (9)
6 Make fat (5)
9 A point in front (5)
10 Beat one-time lower limit (9)
11 Season after season, reported a complete reversal (10)
12 Some opt for a less formal examination (4)
14 Parrots covered in blackflies for example (7)
15 Shot shy young bird (7)
17 Imitator is evasive about first Parliamentary Reform Act (7)
19 Even impossible at full speed (4,8)
20 Looked for sound type of character (4)
22 One not invited to dance with wife having the greatest possible choice (10)
25 Only a slight possibility but cricket side takes opportunity (3,6)
26 Rely at sea on black and aquamarine (5)
27 Bear to give up cave in return (5)
28 Prepares and provides remedies and excuses (9)

DOWN

1 Girl has caught on to informal style (5)
2 Cooks joint in vessel (9)
3 Final result: goal for Channel combination (3,7)
4 Not allowed loaf declared as expenses (7)
5 Each has right to push for protection against noise (7)
6 Cut deeply into fuel source for heating (4)
7 Old, obstinate smell (5)
8 Before match team procures additional information but little illumination (9)
13 Open to attack when seaworthy (10)
14 Additional entrance at top of old line (9)
16 Press covers opera in heavy industrial plant (9)
18 Taught there is wet weather among dry (7)
19 Plenty play loudly unless ordered otherwise (7)
21 Fire at random round left in weapon (5)
23 Bread moves along on wheels and cylinders (5)
24 A female would put cast off (4)

Solution to Puzzle No.7,375



WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices October 24

[illegible]

MONTREAL

Closing prices October 24

[illegible]

Total Sales 6,234,223 shares.

INDICES

NEW YORK

DOW JONES	Oct. 24	Oct. 23	Oct. 22	Oct. 19	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2504.21	2494.06	2516.09	2520.79	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	88.98	89.19	89.17	89.20	93.04 (3/1)	88.44 (24/9)	—	—
Transport	867.05	875.00	883.69	868.16	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	210.51	209.95	210.89	209.88	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2523.02 (2527.97) Low 2470.54 (2480.20)

STANDARD AND POOR'S	Oct. 24	Oct. 23	Oct. 22	Oct. 19	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	312.60	312.36	314.76	312.48	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	367.61	367.19	369.89	367.42	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	20.38	20.39	20.57	20.27	31.87 (3/1)	19.24 (11/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	170.60	170.50	171.52	170.40	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	292.69	292.97	292.33	293.71	382.45 (5/1)	289.13 (17/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	340.98	341.09	341.12	337.36	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct. 19	Oct. 12	Oct. 5	year ago (approx.)
Dow Industrial Div. Yield	4.03	4.23	4.04	3.83
	Oct. 17	Oct. 10	Oct. 3	year ago (approx.)
S & P Industrial div. yield	3.59	3.56	3.42	3.20
S & P Indl. P/E ratio	14.15	14.28	14.85	13.00

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Chase Mnhtn.	5,691,100	11⅝	- ⅛
Citicorp	5,346,300	11⅞	- ¼
Gen. Electric	2,454,300	51⅞	- 2⅛
Wstn. Electric	1,808,500	25⅞	+ ⅞
Philip Morris	1,747,300	48¼	+ ¼
Hibernia	1,745,000	7⅛	+ ⅜
Computer Assoc.	1,708,600	7⅛	+ ¼
Compaq	1,691,200	47⅞	+ 4
IBM	1,618,400	108⅝	+ 1⅞
MCA	1,610,900	50	- 8⅞

TRADING ACTIVITY

† Volume Millions	Oct. 24	Oct. 23	Oct. 22
New York	149.290	159.080	152.650
Amex	9,452	12.867	12.404
NASDAQ	(u)	120.082	114.666
Issues Traded	1,969	1,959	1,992
Rises	758	805	838
Falls	718	688	726
Unchanged	493	466	428
New Highs	10	11	9
New Lows	98	108	93

CANADA

TORONTO	Oct. 24	Oct. 23	Oct. 22	Oct. 19	1990 HIGH	1990 LOW
Metals & Minerals	2710.10	2729.86	2747.52	2717.90	3453.05 (4/1)	2588.00 (16/10)
Composite	3122.53	3123.02	3115.45	3086.64	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1670.81	1675.51	1672.77	1657.86	2060.90 (3/1)	1607.24 (16/10)

Base values of all Indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 24	Oct. 23	Oct. 22	Oct. 19	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1376.7	1383.1	1364.6	1368.6	1713.7 (12/1)	1321.4 (15/10)
All Mining (1/1/80)	647.2	651.0	643.1	643.4	860.8 (5/1)	635.6 (15/10)
AUSTRIA						
Credit Aktien (30/12/84)	490.09	488.09	477.75	465.32	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5278.85	5225.98	5157.65	5128.55	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	348.92	349.31	347.25	346.35	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	398.9	403.2	405.6	408.7	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	442.75	435.90	435.05	437.53	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1667.24	1676.17	1639.95	1644.70	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	653.76	640.78	634.85	635.24	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1860.6	1823.1	1805.6	1822.3	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1493.82	1514.34	1474.51	1482.09	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	3042.08	3081.23	3015.56	2991.95	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1342.67	1346.16	1324.61	1297.30	1893.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	582.92	581.77	571.18	562.94	763.52 (14/6)	552.69 (17/10)
JAPAN						
Nikkei (16/5/49)	24876.88	25298.30	25070.86	24481.49	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1841.48	1859.56	1858.30	1816.29	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3251.49	3236.11	3171.55	3112.96	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	513.42	507.71	495.75	476.79	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	236.3	237.8	234.0	233.0	271.9 (20/7)	228.2 (28/9)
CBS All Shr (End 1983)	173.4	174.6	171.8	171.0	206.3 (3/1)	167.6 (28/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	758.43	762.96	760.89	751.95	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	573.16	565.00	547.65	540.45	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	334.98	334.39	324.18	313.84	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1369.0	1358.8	1343.0	1358.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2724.0	2691.0	2665.0	2657.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	796.77	765.55	733.37	696.01	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	240.16	241.08	234.70	232.45	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	942.5	950.5	941.9	915.1	1329.9 (5/7)	910.0 (28/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	672.0	670.9	663.8	665.3	845.5 (13/7)	613.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	3519.41	3308.57	3216.19	2916.90	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	709.35	(c)	683.33	652.16	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl (1/1/70) ($)	476.8*	478.3	477.9	470.9	571.0 (4/1)	423.1 (28/9)

**Saturday October 20: Taiwan Weighted Price: 3085.02 Korea Comp Ex. 710.44
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all Indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 24 October 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
N'matsu Cnstrn	20.9m	1,370	+180	Kaei Elec Rway	10.3m	1,730	+120
Sato Kogyo	14.5m	1,800	+80	Sanyo Elec	9.1m	720	-14
Nippon Steel	14.2m	468	-4	Acid Corp	9m	940	+61
Sumitomo Mtl	11.4m	493	-12	Honshu Paper	7.8m	2,160	-310
Fujita Corp	10.6m	1,690	+30	Marubeni	6.7m	705	-1

4pm prices October 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		-A-A-A-								
37½	9½	AAR	.48	4.0	7	467	12¼	11⅞	11⅞	-¼
9¾	7¾	ACM n	1.01	12.		192	8¼	8⅛	8⅛	-⅛
11½	8¾	ACMIn	1.26	13.		450	9⅞	9¾	9¾	
9¼	6½	ACM M n	1.01	14.		279	7⅜	7¼	7⅜	
12⅛	10	ACMMM	1.50	13.		314	11¾	11½	11⅝	+⅛
11½	8⅝	ACM Sc	1.26	13.		869	9⅝	9½	9⅝	+⅛
9⅜	7¼	ACMSp	1.01	12.		361	8¼	8⅛	8¼	+⅛
24⅝	15½	AL Lab	.16	.9	18	14	18⅜	18¼	18⅜	
5⅛	1	AM Intl				168	1¼	1	1¼	+¼
22¼	4⅝	AM In pf	2	40.		225	5	4⅞	5	
74¼	39¾	AMR			14	5710	48	47⅛	47¼	-½
4⅛	2	ARX			6	758	2⅛	d1⅜	1⅞	-⅜
72⅜	39¼	ASA	3a	7.1		1309	42⅝	41⅝	42⅝	+¼
45⅞	31¼	AbtLab	s.84	1.9	20	3730	43⅞	42⅞	43⅝	
14	11¼	Abitibi g	.50			8	11½	11⅜	11½	
11⅝	4⅜	AcmeC	.40	7.3	7	71	5⅝	5½	5½	
9⅜	5⅜	AcmeE	.32	5.3	8	8	6	5⅞	6	+¼
32¼	18⅞	Acuson s			23	816	28⅛	27½	27½	-⅝
16⅞	14⅛	AdaEx	2.08e	14.		153	15⅜	15⅛	15⅛	
16⅜	10	Adobe				57	11	10⅞	10⅞	-⅛
21⅞	19¼	Adob pf	2.40	12.		3	20	19⅞	19⅞	
11⅜	3⅝	AMD				1138	4⅛	4	4	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅝	14⅛	Wyman	.60	3.8	10	30	16	15⅞	16	+ ⅛
		– X–Y–Z –								
62¾	29⅛	Xerox	3	9.8		53589	31⅛	30	30⅝	– ⅞
32⅞	13⅛	XTRA	.72	4.8		232	14⅞	14¾	14⅞	
25	13⅛	XTRA pf1.94		14.		4	13¾	13¾	13¾	+ ¼
4	⅞	Zapata				574	1	⅞	1	+ ⅛
14	4	ZenithE				2782	6⅝	5⅝	6⅛	+ ⅜
19⅝	10¼	ZenNtl	.88	8.6	6	24	10⅜	10¼	10¼	– ⅛
8⅛	4½	Zenix	.93	21.		95	4⅝	4½	4½	
17⅛	9⅞	Zero	.40	3.9	11	359	10½	10¼	10⅜	
51⅛	29⅝	Zurnin	.88	2.6	15	216	34¾	34	34⅜	– ⅜
12⅝	10¼	Zweig	1.18e	11.		189	10½	10⅜	10½	+ ⅛
10	7⅞	ZweigTl	.84	9.7		922	8¾	8½	8⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices October 24

NASDAQ NATIONAL MARKET

3pm prices October 24

FINANCIAL TIMES Thursday October 25 1990

AMERICA

Programme trades offset budget pact frustration

Wall Street

EQUITIES PUT on a mixed to firmer performance on Wall Street yesterday, as frustration with the government for failing to come up with an acceptable budget package was alleviated by some computer-driven programme trading, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average improved 10.15 to 2,504.21, while New York SE volume totalled 150.1m shares. On the big board advancing issues held a slim lead over declines by 758 to 718. The Dow lost 22 points on Tuesday.

The stock market managed to ignore a renewed rally in oil prices, with the December crude contract ending $1.71 a barrel higher at $31.08. Crude oil trading was spurred by reports of more violence in the Middle East.

Citicorp remained near the top of the NYSE's most active list and shed $¾ to $11⅞. The bank has avoided having to call an auction of its auction-rate preferred stock by increasing the maximum dividend rate allowed on the issue.

Trading was also heavy in Chase Manhattan, which lost $⅝ to $11⅞. *The bank, which* recently cut its dividend from 62 cents a share, will pay a 30-cent regular quarterly dividend in November. The stock will trade ex-dividend today.

Continental Airlines plunged $1⅞ to $4. The company yesterday denied that it planned to file for protection under chapter 11 of the federal bankruptcy code, although it intends to sell some assets.

UAL, parent of United Airlines, rose $1½ to $96⅞. UAL said that it would acquire a number of assets from Pan Am, including its prized US-Europe routes. Pan Am was unchanged at $1½.

In results-driven trading, Compaq Computer jumped $3⅞ to $47⅝ after reporting third-quarter net income of $1.38 a share, against $1.01 a year ago.

Computer Associates gained $¾ at $7⅛ on second-quarter earnings of 15 cents a share, up from 5 cents a year ago.

Westinghouse Electric rose $⅞ to $25⅞. The company said that it expects to post full year earnings of about $3.40 to $3.50 a share. Anheuser Busch declined $⅝ to $38 after turning in third-quarter net earnings of 91 cents a share, compared with 83 cents last year.

A flurry of rumours that Matsushita had suspended talks with MCA forced shares in the US entertainment group down $8⅞ to $50 before trading was halted in the afternoon. Matsushita issued a denial.

In over-the-counter trading, the Nasdaq composite was off 0.11 at 340.98. Technology stocks continued to fuel trading, with Sun Microsystems plummeting $4⅝ to $15¾, Apple Computers slipping $¼ at $30¼ and Conner Peripherals adding $⅞ at $23¼.

Canada

TORONTO stocks picked up from early losses to end with a firmed bias on balance after further light trading. Fears of inflation in Canada, a rise in oil prices and confusion over the US budget helped to subdue sentiment.

Declining management and transportation issues restrained the composite index, which was a slight 0.5 off on the day at 3,122.5, but rises finally outpaced falls by 307 to 238. Volume came to 17.8m shares, down from 18.1m. Ten of the 14 sub-group indices gained ground, led by real estate, up 2.0 per cent.

Taiwan prepares to open up to outsiders

Peter Wickenden points out the pitfalls of investing directly in Taipei's volatile bourse

FOREIGN institutions are likely to approach investing directly in Taiwan's lethally volatile stock market with some trepidation, if indeed they feel like doing so at all.

If the Security and Exchange Commission's proposals for limited market opening to foreigners are passed by the cabinet in early November, qualified foreign institutions may be free to invest in the stock market by the end of the year.

But the timing of this move, and the nature of the draft proposals, suggest to foreign analysts that their allotted role is two-fold: first to bail the locals out, then to be the martyrs who sacrifice themselves to the cause of cleaning up a notoriously manipulated casino.

Mr Malcolm Riddell, who runs a financial services consultancy in Taipei, has no illusions about the opening of the market when it is wallowing at 70 to 80 per cent below its February peak. "It's as clear as can be that this is to pump the market, and some officials have admitted it to me. Foreign institutions are in business to make money, not to bail out the market," he says.

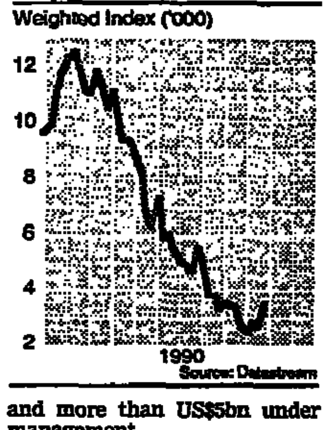
He and many others suspect the government's motives because of the rule that institutions must bring their cash into the country – US$5m to US$50m – keep it in Taiwan dollars and cannot remit the principal out again for at least three months. Although this was reduced from the 12 months in an earlier draft after foreign protests, profits and dividends cannot be remitted out until one year is up.

This is intended to prevent any more hot money flowing in and out of Taiwan than does already. But analysts say it will be a serious handicap to managers of regional-based mutual funds. "This does not make much sense," says Mr Riddell.

In the proposal, institutional investors are defined as banks, insurance companies and fund management companies of various sorts. Banks must be amongst the world's top 500 in terms of assets, and currently have at least US$5bn invested in securities. Insurance companies will need at least ten years of operating experience and assets exceeding US$5bn, while fund managers must have five years of experience and more than US$5bn under management.

Taiwan

Weighted index ('000)



Source: Datastream

The total foreign investment in the Taiwan market will be limited to US$2.5bn, or about one-and-a-half days' turnover at current levels of trading. Individual institutions will be allowed to hold no more than five per cent of any Taiwanese company's circulating shares, and the total foreign stake in any local company cannot exceed 10 per cent.

Some foreigners dislike these restrictions, but the government has hinted that they will be gradually loosened. Most analysts foresee smaller and fairly specialised institutions coming in and buying up small quantities of the two or three dozen solid blue chips the market has to offer, and increasing their participation slowly over a couple of years.

However, they disagree over what the presence of conservative foreigners might do to the market's wild behaviour. Mr Leon Ku, general manager of James Capel in Taiwan, thinks that speculative local investors will eventually be tamed. Others think that the urge to gamble and go after a fast buck is an indelible part of the Chinese nature, but that foreigners will at least be able to sell stocks that are being blatantly ramped by the so-called "big hands". Mr Peter Kurz, general manager of Baring Research Taiwan, recalls receiving complaints from Taiwanese rampers active in Hong Kong when Barings thwarted them by advising its clients to sell certain affected stocks.

Mr Riddell fears for the fate of unwary foreigners, and argues that the government should set the house in order before inviting them in. "Rather than try to juice it up, why not take the opportunity of the downturn to build a proper capital market?" he says.

The Finance Minister, Mr Wang Chien-hsien, vowed from his first day in office this spring to stamp out insider trading, speculation and manipulation, and increase local institutional investment. But precious little has been achieved so far, as is being amply demonstrated by the market's current rally. Commenting on Wednesday's 6.63 per cent rise in spite of continued poor fundamentals and blaring over-bought signals, brokers said "the big hands are back, and everyone just went crazy". Most analysts are predicting another crash in the coming weeks.

There is a consensus that the Taiwan market defies technical analysis, and that most major foreign institutions lack understanding of its nature. Mr Kurz also foresees a number of practical problems arising between foreigners and the local brokers who will execute their orders. "Those expressing interest are unaware of the dangers," he warns.

EUROPE

Suez second half warning weighs on French stocks

BOURSES mostly went nowhere or down yesterday, Frankfurt turning in its tracks yet again, but there appeared to be more activity among the seniors, *writes Our Markets Staff.*

PARIS saw active trading in Michelin and Suez. The CAC 40 index fell 8.93 to 1,667.24 as profit-taking set in, in volume of around FFr2.2bn. Analysts feared that the market was in for a tumble as more sellers came out of the woodwork.

Suez fell FFr3 to FFr324.20 with 568,940 shares traded following publication of the group's first half figures, which were in line with expectations. Suez's cautious statement about the second half of the year and a warning that consolidated earnings per share could fall in 1990 weighed on the stock.

Mr Bill Vincent at UBS Phillips and Drew said that while Suez was trading at a 40 per cent discount to net assets and at a substantial discount to the French market, the price was being held back by the indigestible issue of paper – mainly in the form of warrants and convertibles – over the past year, confusion about the company's real earnings and a lack of direction in the management of its investments.

Michelin continued to recover after last week's plunge, gaining FFr4.50 or 7.17 per cent to FFr67.70 with 416,760 shares traded. Bougyes, the construction group, fell FFr20 or 4.45 per cent to FFr429 after reporting a 45.7 per cent fall in consolidated net profit to FFr102m. Remy, the drinks group which rose last week after Highland Distilleries of the UK took an indirect stake in it, fell FFr5 to FFr291.

FRANKFURT's run of uncertainty continued as a rise of 12.98, or more than 2 per cent to 653.76 in the FAZ index at midsession was replaced by a fall of 20.52, or 1.4 per cent in the DAX at the close.

Volume rose again, from DM6.1bn to DM7.3bn. Dealers said that stocks had risen in the morning on index-linked programme trading from both domestic and foreign sources, then suffered profit-taking as the DAX failed to attract convincing buying interest above the 1,500 level.

"It's a kind of consolidation," said Mr Michael Rietberger, head of trading and sales at Citibank in Frankfurt, confident international investors will be back in the medium term.

In the meantime, the rumour mill operated again yesterday. Deutsche Bank was in the market as a seller, but the story went round that its own third quarter results were going to be down. Deutsche denied this but its shares fell DM5.80 to DM639 while Daimler, which has been more volatile, only shed DM2.50 to DM626.

Elsewhere in carmakers, Volkswagen dropped DM16 to DM386 as the downgrading of analysts' earnings estimates came in for further consideration. Steels, too, were relatively weak with Hoesch DM8.50 lower at DM226 and Thyssen down DM6 to DM200.50.

MILAN consolidated after its recent gains. The Comit index rose just 1.15 to 582.92 as volume fell back after Tuesday's heavy L231bn.

Lower oil prices had given the market a much needed boost, analysts said. But Italy's dependence on imported oil was likely to restrict economic growth and eat into corparate profits, they warned. Furthermore, while support from the four large corporate groups was evident, foreigners remained net sellers.

Olivetti paused after its run at the start of the week, up L1 at L4,391, as rumours of a link-up with Stet were denied.

ZURICH saw pressure on banks following depressing news on earnings prospects from Bank Leu and Crédit Suisse, confirming the bleak forecasts made recently by other major commercial banks. CS Holding declined SFr20 francs to SFr1,860 and Union Bank SFr40 to SFr2,940.

The Crédit Suisse index eased 0.2 to 508.4. However, the engineering group, Georg Fischer, gained SFr40 to SFr1,460. Analysts said yesterday that the cooperation agreement and equity link announced between Fischer and Schweizerische Industrie Gesellschaft (SIG), should result in considerable savings.

AMSTERDAM closed lower after a mixed session. The CBS Tendency index fell 0.3 to 98.2.

There was considerable activity in Philips before the release of its third quarter results today. The stock rose as high as Fl 21.10 before closing 20 cents off at Fl 20.80. A block of 100,000 shares was reportedly crossed in New York.

Bols, the drinks company, continued to rise following several positive recommendations from brokers. The stock added Fl 1 to Fl 174 though volume was small. Fokker slipped again on profit-taking, losing 80 cents to Fl 40.30.

STOCKHOLM was dragged lower by another set of disappointing company figures, this time from SKF, the ball bearings group. Its free-B shares fell SKr8 to SKr85. The Affärsvärlden general index fell 8 to 942.5 in volume of just SKr153m, the year's low. Investors have retreated to the sidelines to wait for details of the government's austerity package.

BRUSSELS rose strongly across the board, with some stocks surging more than three per cent on lower domestic interest rates. The cash market index gained rose 52.87 to 5,278.85 in above-average volume of FFr820m.

SOUTH AFRICA

JOHANNESBURG extended Tuesday's gains, helped by a weaker financial rand and modest demand for quality issues. The JSE all-gold index rose 11 to 1,369 and the all-share index jumped 31 points to 2,660.

ASIA PACIFIC

Nikkei slips back as cautious mood returns

Tokyo

MARKET participants, wary of the fast-paced advance of equities in recent days, took to the sidelines yesterday and the Nikkei average slipped below 25,000. The weakening of the yen against the dollar, lower domestic bond prices and the overnight decline on Wall Street also contributed to the bearish mood, *writes Martina Gannon in Tokyo.*

The Nikkei finished at 24,876.88, down 421.42, after touching 24,677.26. The day's high was 25,271.28. Falls led rises by 661 to 258, and 142 issues were unchanged. Turnover slipped from 550m shares to 500m. The Topix index of all listed stocks receded 18.08 to 1,841.48, but in London the ISE/Nikkei 50 index gained 8.06 to 1,414.36.

Among the day's gainers was NTT, which advanced Y27,000 to recover the Y1m level for the first time since August. Also performing well were some constructions, heavy industries, shipbuilders and pharmaceuticals. Nishimatsu Construction, the day's most active issue, finished Y180 higher at Y1,370.

Environment-related stocks fared well. Ebara added Y30 at Y1,650 and Daiken Trade & Industry, a manufacturer of wooden and mineral fibreboards, rose Y30 to Y1,800.

However, arbitrage liquidation brought down prices almost across the board in thin morning trading. Many sectors trimmed recent gains, including real estates, large-capital steels and other domestic demand-related issues that had been boosted by the stronger yen. But as the currency weakened to Y128 to the dollar, investors began to offload these stocks. Nippon Steel shed Y4 to Y468 and Mitsubishi Estate dropped Y30 to Y1,270.

The weakest section was financials, following rumours that former officials of Mitsui Trust & Banking had been arrested on allegations of tax evasion. The stock fell Y100 to Y1,240. Industrial Bank of Japan lost Y160 to Y2,840.

Speculative shares also fell sharply, Honshu Paper leading the way with a drop of Y310 to Y2,160. Export-oriented equities fared poorly in spite of expectations that they would advance once the yen stopped rising. Sony retreated Y120 to Y6,650, Hitachi Y40 to Y1,200 and Toshiba Y31 to Y800.

A rally in the final hour of trading in Osaka pushed the OSE average up 98.75 to 28,656.58, extending its advance to eight consecutive trading days. Volume edged up to 46m shares from 42.6m. Traders, cautious about the sustained rise, had concentrated on profit-taking throughout the day but changed tack in the end.

Roundup

PACIFIC RIM markets were mixed, with most maintaining their strength in spite of falls in Tokyo and New York.

TAIWAN jumped 6.6 per cent, the largest single gain in a day since August 31, as big players swung into action with large buy orders. The weighted index gained 218.84 at 3,519.41. Turnover came to T$51.8bn against T$59.7bn.

All sectors were higher, with financial, cement, and food shares leading the gains.

MANILA gained ground for the fourth trading day running as bargain hunters snapped up shares and appeared to ignore the affect of a general strike called by labour unions.

The composite index advanced 3.3 per cent, or 18.16, to 573.16 and turnover rose to 58.8m pesos from 53.5m.

SEOUL continued its sharp upturn, registering the steepest gain for the market's main barometer in about 19 months.

The composite index climbed 31.22, or 4.1 per cent, to 796.77 on a strong volume of Won333.5bn (Won285bn).

The index has surged 158 points, or 25 per cent, since last Wednesday when Seoul's improving relations with North Korea provided strong momentum for a recovery.

JAKARTA retrieved Tuesday's fall, rising 4.02 to 409.13 in light trading. Unusually, banks were among the most active shares but ended mostly lower. Bank Umum Nasional fell 1,100 rupiah to 5,900.

SINGAPORE closed mixed after buyers returned in the afternoon and erased early losses. The Straits Times industrial index ended 1.05 up at 1,210.95 and turnover fell to S$109.5m from S$176.5m as activity centred on low-priced stocks.

KUALA LUMPUR rebounded from initial losses to close higher on bargain hunting despite the weaker trend on the Tokyo bourse.

The composite index gained 5.71 at 513.42, after a day's low of 505.24. The index has risen 36.63 this week. Turnover was 36.6m shares against 56.3m.

HONG KONG fell as profit-taking helped to pull back the market. The Hang Seng index shed 39.15, or 1.27 per cent, to 3,042.08 following a gain of 65.67 on Tuesday. Volume slipped to HK$1.04bn from HK$1.35bn.

NEW ZEALAND ended lower for the first time in six trading days following a drop in Fletcher Challenge shares and falls on overseas bourses.

Fletcher went ex-dividend and shed 21 to NZ$3.46. It has a 24 per cent weighting in the Barclays index, which was estimated to have ended 28.01 lower at 1,422.42.

AUSTRALIA slipped in thin trading as profit-taking sapped selected stocks. The All-Ordinaries index eased 6.4 to 1376.7 on turnover of A$139.04m, down from A$255.8m.

Banks weakened after investors became nervous over the impending release of their results. ANZ and Westpac each declined 7 to A$4.13 and A$4.14 respectively, but Bank of Queensland rose 5 to A$3.30.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 24 1990								TUESDAY OCTOBER 23 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (77)	127.37	+0.0	96.44	103.05	99.79	108.60	−0.4	7.10	127.38	97.04	102.62	100.50	108.99	158.31	123.49	146.41
Austria (19)	213.87	+1.7	161.94	173.05	167.57	167.56	+1.0	1.63	210.22	160.16	169.37	165.85	165.83	285.63	178.57	160.32
Belgium (61)	140.57	+1.8	106.44	113.73	110.13	107.64	+1.1	5.38	138.14	105.24	111.28	108.98	106.45	160.02	126.67	141.87
Canada (120)	124.30	+0.4	94.12	100.57	97.38	105.22	+0.2	3.78	123.81	94.33	99.74	97.68	105.03	153.61	121.24	148.71
Denmark (33)	262.69	+1.0	198.91	212.55	205.81	205.88	+0.4	1.44	260.10	198.16	209.55	205.21	205.09	277.82	234.05	208.48
Finland (26)	99.53	+0.6	75.36	80.54	77.98	75.27	+0.8	3.64	98.91	75.36	79.69	78.04	74.66	152.29	98.91	124.74
France (123)	142.92	+0.6	108.21	115.63	111.98	113.04	−0.1	3.64	142.04	108.21	114.42	112.05	113.19	168.85	124.98	133.05
Germany (91)	120.74	+2.8	91.43	97.71	94.60	94.60	+2.1	2.40	117.49	89.51	94.66	92.69	92.69	144.63	101.38	96.40
Hong Kong (48)	124.57	−0.9	94.32	100.79	97.60	124.49	−0.9	5.30	125.66	95.73	101.23	99.14	125.59	147.49	112.24	114.24
Ireland (17)	166.06	+0.1	125.74	134.36	130.11	131.60	−0.6	3.97	165.90	126.39	133.65	130.88	132.36	198.57	139.04	162.76
Italy (91)	89.30	+1.0	67.62	72.25	69.96	75.25	+0.2	3.27	88.45	67.38	71.25	69.78	75.09	109.26	80.87	87.19
Japan (454)	137.81	−1.8	104.35	111.50	107.98	111.50	−1.4	0.76	140.30	106.89	113.03	110.70	113.09	197.26	106.58	186.77
Malaysia (35)	213.92	+3.9	161.98	173.08	167.60	222.65	+3.9	2.82	205.95	156.90	165.91	162.47	214.23	250.89	182.98	199.41
Mexico (13)	545.59	+2.3	413.11	441.44	427.46	1743.63	+1.0	0.39	533.32	406.32	429.66	420.76	1726.00	561.41	324.53	320.11
Netherland (41)	136.93	+0.1	103.68	110.79	107.28	106.15	−0.7	5.39	136.86	104.27	110.26	107.97	106.87	149.03	127.56	126.67
New Zealand (16)	53.28	−2.3	40.34	43.11	41.75	46.61	−2.9	7.22	54.54	41.55	43.94	43.03	48.02	75.36	50.73	76.07
Norway (27)	241.94	+0.2	183.20	195.76	189.56	192.44	−0.6	1.61	241.56	184.04	194.61	190.58	193.53	276.79	202.34	170.88
Singapore (25)	168.30	+0.1	127.43	136.17	131.86	132.78	+0.1	3.22	168.20	128.14	135.51	132.70	132.62	209.24	147.24	156.33
South Africa (60)	163.10	+1.5	123.50	131.96	127.78	133.78	+1.5	4.18	160.64	122.38	129.41	126.73	131.76	251.39	151.50	144.54
Spain (42)	153.31	+0.5	116.09	124.05	120.12	109.76	−0.2	5.06	152.50	116.18	122.86	120.31	109.99	182.25	128.54	158.84
Sweden (27)	178.61	−0.1	135.24	144.52	139.94	147.88	−0.6	2.75	178.83	136.25	144.08	141.09	148.79	234.93	158.07	176.57
Switzerland (67)	95.91	+0.9	72.62	77.60	75.15	75.39	−0.1	2.84	95.00	72.38	76.54	74.96	75.48	109.77	85.00	86.68
United Kingdom (300)	165.25	+0.0	125.13	133.69	129.46	125.13	−0.7	5.56	165.32	125.95	133.18	130.42	125.95	176.18	139.87	142.50
USA (533)	125.89	+0.0	95.32	101.86	98.64	125.89	+0.0	3.69	125.84	95.87	101.39	99.29	125.84	148.95	119.06	139.13
Europe (985)	140.74	+0.7	106.57	113.88	110.28	108.52	+0.0	4.31	139.74	106.46	112.58	110.25	108.49	157.66	124.91	124.57
Nordic (113)	188.94	+0.4	143.06	152.88	148.03	146.12	−0.1	2.07	188.16	143.35	151.59	148.45	146.31	223.29	172.38	166.99
Pacific Basin (655)	136.70	−1.7	103.50	110.60	107.10	111.58	−1.3	1.13	139.02	105.91	112.00	109.68	113.04	182.75	107.82	182.40
Euro−Pacific (1620)	138.71	−0.7	105.03	112.23	108.67	111.10	−0.8	2.44	139.68	106.42	112.53	110.20	111.94	174.18	116.03	159.35
North America (653)	125.71	+0.1	95.18	101.72	98.51	124.54	+0.0	3.89	125.63	95.71	101.22	99.13	124.46	148.43	119.26	139.60
Europe Ex. UK (665)	125.16	+1.3	94.77	101.29	98.09	98.56	+0.5	3.41	123.60	94.17	99.60	97.53	98.05	145.62	109.94	112.70
Pacific Ex. Japan (201)	122.86	−0.2	93.03	99.42	96.27	108.91	−0.4	6.00	123.14	93.82	99.22	97.16	109.38	146.72	117.08	130.03
World Ex. US (1813)	138.70	−0.6	105.02	112.23	108.67	111.56	−0.7	2.50	139.58	106.34	112.46	110.13	112.34	173.77	117.12	158.94
World Ex. UK (2046)	130.07	−0.5	98.49	105.25	101.92	115.22	−0.4	2.63	130.67	99.55	105.28	103.10	115.72	162.00	115.37	151.65
World Ex. So. Af. (2286)	133.01	−0.4	100.72	107.63	104.22	116.06	−0.5	2.94	133.59	101.77	107.63	105.40	116.61	161.84	118.04	150.65
World Ex. Japan (1892)	132.12	+0.3	100.04	106.91	103.53	118.52	+0.0	4.14	131.67	100.32	106.09	103.90	118.48	151.59	124.31	133.78
The World Index (2346)	133.20	−0.4	100.85	107.77	104.36	116.19	−0.5	2.95	133.75	101.90	107.76	105.53	116.72	162.05	118.33	150.81

CONSTITUENT CHANGE: Deletion (24/10/90): Comm. Ind. Gases (Australia).